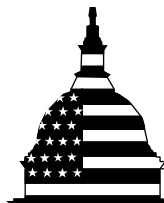


April 2013

# DEFENSE INFRASTRUCTURE

## Improved Guidance Needed for Estimating Alternatively Financed Project Liabilities



G A O

Accountability \* Integrity \* Reliability

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## Why GAO Did This Study

To effectively manage facilities, DOD has pursued a strategy including base realignment and closure, privatizing certain base assets, and leasing underused property. To do so, DOD leverages private capital using alternative financing agreements that rely at least in part on means other than full up-front appropriations. The House Armed Services Committee directed GAO to assess the impact of base closures on such agreements and how DOD captures costs associated with projects in the BRAC process. This report (1) describes existing projects on DOD's U.S. bases, as of September 30, 2011; how project legal agreements protect the government's financial interests; and circumstances where DOD could face financial liabilities in the event of base closure; and (2) determines the extent to which DOD's process for estimating costs and savings of base closure candidates captures these liabilities and other costs. GAO reviewed documents; collected information from DOD on projects active as September 30, 2011; and interviewed officials.

## What GAO Recommends

GAO recommends DOD modify BRAC data collection and cost modeling to better indicate possible liabilities arising from such projects. DOD did not concur, noting that "military value" is the primary criterion for BRAC decisions and liabilities will not be known until project negotiations. GAO's recommendations do not preclude optimizing military value, and certain liabilities may be determinable before negotiations. Thus, GAO continues to believe that acting on these recommendations would help improve the BRAC process.

View [GAO-13-337](#). For more information, contact James R. McTigue, Jr. at (202) 512-3766 or [mctiguej@gao.gov](mailto:mctiguej@gao.gov).

## DEFENSE INFRASTRUCTURE

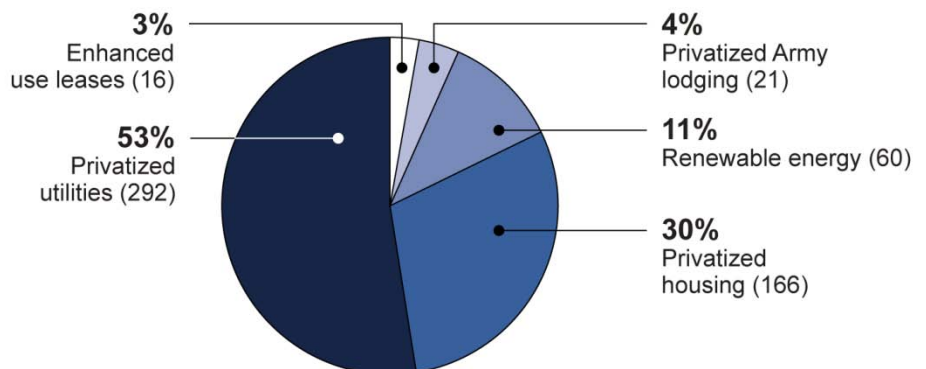
### Improved Guidance Needed for Estimating Alternatively Financed Project Liabilities

## What GAO Found

In the event of future base closure, the Department of Defense's (DOD) potential financial liabilities from alternatively financed projects will vary by project type and the language of its legal agreements. According to GAO's analysis of data reported by DOD, it had more than 550 such projects on more than 240 U.S. installations, as of September 30, 2011. 56 percent of these projects have been put in place since the 2005 Base Realignment and Closure (BRAC) round. Further, according to this analysis and GAO's case study review, liabilities will likely exist for renewable energy and privatized utility projects in the event of base closure because these projects commit the government to making future payments, although the liabilities may be limited by termination for convenience clauses in agreements. In contrast, privatized housing, privatized army lodging, and enhanced use lease projects are generally not expected to create a financial liability if bases close because DOD does not expect to terminate these types of agreements.

GAO found that DOD's use of its Cost of Base Realignment Actions (COBRA) model to estimate the costs and savings of base closure candidates did not capture all costs associated with alternatively financed projects, and identified three possible contributing factors. First, DOD's collection of data on potential base closure costs was not consistent or comprehensive regarding alternatively financed projects. Second, the COBRA model does not provide users with an option to indicate that a cost may exist in cases where officials cannot estimate the costs associated with such projects within the data collection timeframes. Third, some COBRA instructions for entering costs associated with such projects into the model are not consistent or comprehensive. DOD guidance for determining costs and savings of BRAC actions and COBRA model instructions require that DOD consider all costs and savings associated with various base closure scenarios, and GAO has previously reported that decision makers need consistent and comprehensive data. Without a process for collecting consistent and comprehensive cost data, decision makers may face challenges in accurately comparing different scenarios' net costs for future BRAC rounds.

**Alternatively Financed Projects by Project Type, on U.S. Installations, As of September 30, 2011**



Source: GAO analysis of DOD data.

Note: Percentages may not add up to 100 percent due to rounding.

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## Abbreviations

BRAC	Base Realignment and Closure
COBRA	Cost of Base Realignment Actions
DOD	Department of Defense
FAR	Federal Acquisition Regulation
OSD	Office of the Secretary of Defense

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United States Government Accountability Office  
Washington, DC 20548

April 18, 2013

## Congressional Committees

The Department of Defense (DOD) has faced challenges in effectively managing deteriorating facilities and underused and excess property in its real estate portfolio, which includes over 555,000 facilities with a replacement value of nearly \$850 billion. To address these challenges, DOD has pursued a multipart strategy that includes base realignment and closure (BRAC), privatization of certain base assets, and leasing of underused real property. In privatizing certain base assets, DOD leverages private capital for improving its bases using alternative financing agreements—the financing of capital assets, at least in part, by means other than full up-front appropriations.<sup>1</sup> DOD also uses alternative financing arrangements to lease its underused real property. In these arrangements, DOD leases underused property in exchange for cash or in-kind consideration in the form of, among other things, maintenance and repair of existing facilities or the construction of new facilities.

The Secretary of Defense stated in August 2012 that as DOD draws down its forces from the wars of this last decade, it will be moving toward a smaller, leaner, and more agile force over the next five years. As part of its fiscal year 2013 budget request, DOD asked for two more rounds of BRAC in 2013 and 2015. Although Congress has thus far declined to authorize additional BRAC rounds, should it choose to do so in the future, the presence of alternatively financed projects on DOD installations could impact closure or realignment recommendations.

Since the last round of BRAC in 2005, DOD has entered into an increasing number of agreements with private entities for five types of

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<sup>1</sup>For the purposes of this report, we define appropriated funding as “up-front” when DOD has been appropriated sufficient funds to pay for the full cost of a project before a commitment is made, as opposed to appropriated funds DOD uses to make payments on capital borrowed through certain types of alternative financing approaches.

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projects: renewable energy,<sup>2</sup> privatized utilities, privatized family housing, Army lodging, and leases for underused land. Closing additional bases in the future may necessitate termination or modification of some of these agreements before all contractual obligations between the government and the private entity have been fulfilled. If an installation with an alternatively financed project is closed through BRAC, DOD may have to end legal agreements associated with the project, which could result in financial liabilities to DOD.<sup>3</sup>

House Report 112-479, accompanying a bill for the National Defense Authorization Act for Fiscal Year 2013 (H.R. 4310), directed GAO to, among other things, determine the impact of base closures on alternatively financed projects; how DOD protects the government's interests in these cases; and how DOD's process for determining costs and savings of potential closures captures associated liabilities. In response, this report (1) describes alternatively financed projects that existed on DOD's U.S. installations, as of September 30, 2011, and ways that associated legal agreements protect the government's financial interests, as well as circumstances under which DOD could face financial liabilities in the event of base closure; and (2) determines the extent to which DOD's process for estimating the costs and savings of base closure candidates captures liabilities and other costs associated with alternatively financed project agreements, in the event of base closure.

To describe the alternatively financed projects that existed on DOD's U.S. installations, as of September 30, 2011, we collected data from DOD on the five types of alternatively financed projects in the scope of our review. We included projects if (1) they were funded—at least in part—by means other than up-front appropriations; (2) the project's legal agreement was signed as of September 30, 2011; (3) the installation that hosted the project was open as of that date; and (4) the installation was located in

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<sup>2</sup>For this report, we included renewable energy projects only if data submitted by the military departments and Defense Logistics Agency indicate that these projects were alternatively financed. We have previously reported that the majority of renewable energy projects are not alternatively financed. See GAO, *Renewable Energy Project Financing: Improved Guidance and Information Sharing Needed for DOD Project-Level Officials*, [GAO-12-401](#) (Washington, D.C.: Apr. 4, 2012).

<sup>3</sup>For the purposes of this report, we use the term "liabilities" to indicate financial commitments that DOD has to contractors, in regard to alternatively financed projects on bases that could be closed. We use the term "costs" more broadly; referring to DOD spending that may result from base closure.

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the United States. We met with officials from the military departments; Defense Logistics Agency; and the office of the Under Secretary of Defense for Acquisition, Technology, and Logistics to discuss the project data we collected. In addition, we assessed the completeness and accuracy of this project information. To do so, we reviewed data submitted by the military departments and Defense Logistics Agency to determine if there were inconsistencies or certain data elements that were not provided for individual projects. In such cases, we discussed these data with knowledgeable agency officials, resolving the inconsistencies and gathering the missing data elements. In addition, we assessed the reliability of all computer-generated data provided by the military departments and Defense Logistics Agency by reviewing existing information about the data and the systems that produced the data and by interviewing agency officials knowledgeable about the data to determine the steps taken to ensure its completeness and accuracy. We determined that these data were sufficiently reliable for the purposes of presenting the number and certain characteristics of these projects, as reported by the military departments and Defense Logistics Agency. We are confident that, based on information from the military departments and Defense Logistics Agency, we have collected information on the complete universe of alternatively financed projects as of September 30, 2011. However, we did not validate the existence of each individual project. As discussed above, the military departments provided data on projects that were active as September 30, 2011. The military departments provided these project data to us in November and December 2012. To describe examples of ways that projects' legal agreements protect the government's financial interests, as well as circumstances under which DOD could face financial liability in the event of base closure, we chose 29 case studies from the project information we collected—based on variables such as military department and project type—for more in-depth review. For these case studies, we met with officials familiar with the case study projects; interviewed DOD officials; and collected and reviewed project legal documentation.<sup>4</sup> We also reviewed relevant sections of the Federal Acquisition Regulation and military department policy governing alternatively financed projects.

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<sup>4</sup>For certain case studies, we met with officials from installations that hosted case study projects. For other case studies, we met with officials at the regional or headquarters level of a military department. This is because certain types of projects are typically managed at the installation level, while other types are typically managed at the regional or headquarters level.



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To determine the extent to which DOD's process for estimating the costs and savings of base closure candidates captures liability and other costs associated with alternatively financed project agreements in the event of base closure, we identified the requirements for capturing the data by reviewing BRAC 2005 implementation policy and the BRAC statute.<sup>5</sup> We then identified installations that had alternatively financed projects and were closed as a result of BRAC 2005, and determined the extent to which DOD's process for estimating the costs and savings of base closure candidates captured potential liability associated with these projects. In each round of BRAC, DOD has estimated the costs and savings associated with various proposed BRAC recommendations by using a model known as the Cost of Base Realignment Actions (COBRA). To determine the extent to which this model captured liability, we compared costs recorded in the COBRA model for the closed installations with alternatively financed projects to the military departments' reported closure costs. To gather information on the closure costs and reasons why the costs may or may not have been captured, we interviewed DOD officials who were involved in—or had knowledge of—the BRAC 2005 processes and reviewed the installations' BRAC implementation budgets and business plans. Furthermore, to determine whether DOD's process for collecting data on potential base closure costs was comprehensive and consistent, we reviewed the (1) questions used to gather information for the COBRA model; (2) the COBRA model instructions for completing the portion of the model into which costs associated with alternatively financed projects are to be entered; and (3) the relevant data input fields in the model. We then compared this process to BRAC 2005 policy guidance for determining costs and savings of BRAC actions and best practices for collecting data in support of government operations.<sup>6</sup>

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<sup>5</sup>Congress authorized BRAC 2005 with the passage of the National Defense Authorization Act for Fiscal Year 2002. Pub. L. No. 107-107, Title XXX (2001). The law reauthorized the BRAC process by amending the authority under which the 1991, 1993, and 1995 rounds had been carried out, the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510, Title XXIX ((10 U.S.C. 2687 note). Throughout this report, we will refer to the Defense Base Closure and Realignment Act of 1990 (as amended) as "the BRAC statute."

<sup>6</sup>For the BRAC policy guidance, see Department of Defense, *Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Three – Selection Criterion 5* (Dec. 7, 2004). For the best practices for collecting data in support of government operations, see GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

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We conducted this performance audit from June 2012 to April 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. More detailed information on our scope and methodology is provided in appendix I.

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## Background

### DOD Privatization Efforts Include Several Types of Projects on Its Installations

As discussed previously, DOD leverages private capital for improving its bases using alternative financing agreements and uses alternative financing arrangements to privatize certain base assets and lease its underused real property.<sup>7</sup> We have previously reported that DOD privatization efforts on its installations include renewable energy, utilities, family housing, enhanced use leases, and Army lodging.<sup>8</sup> The project types each have their own characteristics and the military departments have entered into privatization arrangements for different project types under distinct statutory authorities.

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<sup>7</sup>In these arrangements, DOD leases underused property in exchange for cash or in-kind consideration in the form of, among other things, maintenance and repair of existing facilities or the construction of new facilities.

<sup>8</sup>See for example [GAO-12-401](#); *Defense Infrastructure: The Enhanced Use Lease Program Requires Management Attention*, [GAO-11-574](#) (Washington, D.C.: June 30, 2011); *Defense Infrastructure: Army's Privatized Lodging Program Could Benefit from More Effective Planning*, [GAO-10-771](#) (Washington, D.C.: July 30, 2010); *Military Housing Privatization: DOD Faces New Challenges Due to Significant Growth at Some Installations and Recent Turmoil in the Financial Markets*, [GAO-09-352](#) (Washington, D.C.: May 15, 2009); and *Defense Infrastructure: Actions Taken to Improve the Management of Utility Privatization, but Some Concerns Remain*, [GAO-06-914](#) (Washington, D.C.: Sept. 5, 2006).

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## Renewable Energy

To increase renewable energy production on military installations,<sup>9</sup> in certain cases the military services have relied on agreements that leverage private capital, such as Energy Savings Performance Contracts, Utility Energy Service Contracts, and Power Purchase Agreements. Each of the financing approaches has its own requirements and legal authorities. These financing approaches are not necessarily mutually exclusive, and different approaches, including enhanced use leases (i.e., leasing available nonexcess real property to the private sector in return for cash or in-kind consideration), can sometimes be combined to finance the same project.

- Energy Savings Performance Contracts are contracts between a federal agency and an energy service provider. Based on the results of a comprehensive energy audit, an energy service company, in consultation with the federal agency, designs and constructs a project to save energy and arranges the necessary financing. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. Contract terms for Energy Savings Performance Contracts can extend up to 25 years.
- Utility Energy Service Contracts are agreements in which a utility arranges financing to cover the capital costs of a project, which are repaid by the agency, generally using appropriated funds, over the contract term. Repayments are usually based on estimated cost savings generated by the energy efficiency measures, but energy savings are not necessarily required to be guaranteed by the contractor.
- Power Purchase Agreements may take several forms, but all are essentially agreements to purchase renewable energy from a private-sector energy producer. For example, in some of these agreements, the developer installs a renewable energy-system on agency property, and the agency pays for the system through its purchase of power

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<sup>9</sup>For the purposes of this report, we are defining renewable energy as energy derived from any of the following fuel sources: biomass; geothermal; hydropower; solar; wind; ocean energy, including wave, tidal, current, and ocean thermal energy; and other sources, such as landfill gas and municipal solid waste. This energy can be applied in any form, including electricity, heating, or small-scale applications such as streetlights or trash compactors. Ground source heat pumps are included in our definition of renewable energy projects.

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over the life of the contract. After installation, the developer owns, operates, and maintains the system for the life of the contract. Depending on the authority used, DOD can enter into Power Purchase Agreements for up to 32 years, excluding the period for construction.

## Privatized Utilities

At DOD's request, Congress approved legislative authority in 1997 for privatizing utility systems at military installations.<sup>10</sup> In defining a utility system, the authority included systems for the generation and supply of electric power; the treatment or supply of water; the collection or treatment of wastewater; the generation or supply of steam, hot water, and chilled water; the supply of natural gas; and the transmission of telecommunications.<sup>11</sup> Included in a utility system are the associated equipment, fixtures, structures, and other improvements as well as real property, easements, and rights-of-way. The authority stated that the Secretary of a military department may convey a utility system to several different types of entities—including municipal, private, or regional entities—and the conveyance may consist of all rights, title, and interests of the United States in the utility system, or such lesser estate as the Secretary considers appropriate. In addition to the specific authority for privatizing utilities, the military departments have used other authorities for utility privatization. For example, the military departments have conveyed some systems on the basis of authorities related to the military housing privatization program. Under the utility privatization program, privatization normally involves two transactions with the entity—the conveyance of the utility system infrastructure and the acquisition of utility services for upgrades, operations, and maintenance under a long-term contract of up to 50 years. Normally, the conveyances do not include title to the land underlying the utility system infrastructures. In December 1997, DOD issued Defense Reform Initiative Directive Number 9, which made utility system privatization DOD policy.<sup>12</sup> A year later, in December

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<sup>10</sup>National Defense Authorization Act for Fiscal Year 1998, Pub. L. No. 105-85, § 2812 (1997) (codified as amended at 10 U.S.C. § 2688).

<sup>11</sup>In response to our request for information on alternatively financed projects, the military departments provided information on four types of privatized utility projects: the generation and supply of electric power; the treatment or supply of potable water; the collection or treatment of wastewater; and the supply of natural gas.

<sup>12</sup>See Deputy Secretary of Defense, *Memorandum for Secretaries of the Military Departments and others, Subject: Department of Defense Reform Initiative Directive #9—Privatizing Utility Systems* (Department of Defense: Washington, D.C., Dec. 10, 1997).

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## Military Housing Privatization Initiative

1998, DOD issued another directive establishing program management and oversight responsibilities and providing guidance for performing economic analyses for proposed projects, exempting systems from the program, and using competitive procedures to conduct the program.<sup>13</sup> This directive also stated that it was DOD's objective to get out of the business of owning, managing, and operating utility systems through privatization and that exemptions should be rare.

DOD's housing policy is to rely on private sector housing in the local communities near military installations as the primary source of family housing. As a result, about two-thirds of all military families in the United States live in local community housing. However, Congress established the Military Housing Privatization Initiative in 1996 to ensure adequate military family housing was available when needed by renovating existing inadequate housing and constructing new homes on and around military bases more rapidly than was possible using traditional funding and military construction methods.<sup>14</sup> In a typical privatized military housing project, the developer is a limited liability company or partnership formed for the purpose of acquiring debt, leasing land, and building and managing a specific project or projects.<sup>15</sup> In a typical project, a military department leases land to a developer for a term of 50 years. The military department generally conveys existing homes located on the leased land

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<sup>13</sup>See Deputy Secretary of Defense, *Memorandum for Secretaries of the Military Departments and others, Subject: Department of Defense Reform Initiative Directive #49—Privatizing Utility Systems* (Department of Defense: Washington, D.C., Dec. 23, 1998).

<sup>14</sup>The Military Housing Privatization Initiative was established in the National Defense Authorization Act for Fiscal Year 1996, Pub. L. No. 104-106, §§ 2801-2841 (1996) (codified as amended at 10 U.S.C. §§ 2871-2885).

<sup>15</sup>Section 2875 of Title 10, U.S. Code, authorizes the military departments to invest limited amounts of appropriated funds in an "eligible entity." In this report, as in past reports examining the Military Housing Privatization Initiative, we use the term "developer" and "eligible entity" synonymously to describe the special purpose limited liability company or partnership that carries out a privatization project or projects. See [GAO-09-352](#). A limited liability company is a company in which the liability of each shareholder or member is limited to the amount individually invested. A limited partnership is a partnership composed of one or more persons who control the business and are personally liable for the partnership's debts (called general partners), and one or more persons who contribute capital and share profits but who cannot manage the business and are liable only for the amount of their contribution.

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to the developer for the duration of the lease.<sup>16</sup> The developer is responsible for constructing new homes or renovating existing houses and then leasing this housing, giving preference to servicemembers and their families.<sup>17</sup> In addition to any government or private sector investment in the developer, the majority of the project financing is obtained from financial institutions in the form of construction loans or military housing bonds. The servicemembers' basic allowance for housing serves as the primary security for the funds obtained through bonds.<sup>18</sup> Service members use their housing allowances to pay their rent. Generally that rent is based on the allowance of the member tenant that occupies a particular house. A project's private debt is underwritten based on the rental revenue stream. Although the servicemembers' housing allowance is subject to the defense budget, which is supported through annual appropriations, we have previously reported that most bond investors believe it to be a highly reliable revenue stream given the history of stable congressional funding of servicemembers' housing.<sup>19</sup> DOD contributions, either in the form of cash investments or direct loans, are often made to close gaps in construction funding that materialize when the developer is unable to obtain adequate financing necessary for the project size.

## Enhanced Use Leases

An enhanced use lease allows the military departments to lease available nonexcess real property to the private sector in return for cash or in-kind consideration, subject to certain conditions. Section 2667 of Title 10 of the United States Code provides authority to the secretaries of the military

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<sup>16</sup>Typically, title to the houses that are conveyed and any improvements made to these houses during the duration of the lease automatically revert to the military department upon expiration or termination of the lease.

<sup>17</sup>DOD has established a tenant "waterfall" that privatization projects can use if occupancy falls below a certain rate. Generally, after military families are accommodated, the order of the tenant waterfall is unaccompanied military personnel, active National Guard and Reserve, military retirees, federal government civilians, and lastly civilians.

<sup>18</sup>This cash housing allowance, known as basic allowance for housing, helps defray the cost of renting or purchasing a home. Each year, DOD sets the monthly basic allowance for housing rates. This allowance is based on the median local monthly cost of housing, including current market rents, utilities, and renter's insurance. The allowance can fluctuate from year to year as demand in some housing markets varies over time. The housing allowance is generally based on servicemembers' pay grades and whether or not they have dependents.

<sup>19</sup>[GAO-09-352](#).

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departments to lease nonexcess real property<sup>20</sup> under the control of the respective departments, subject to several provisions. Enhanced use leases have been used for a wide range of facility improvement projects, renovations, repair, or new acquisitions, to include renewable energy projects. The length of a contract for an enhanced use lease is subject to certain conditions, but there is no firm time limit. We have previously reported that these leases are often entered into for long periods, such as 25- or 50-year terms.<sup>21</sup>

## Privatized Army Lodging

The military departments operate lodging rooms, similar to commercial hotel rooms, to accommodate authorized travelers across the United States. As discussed above, in 1996 Congress enacted the Military Housing Privatization Initiative authority, which allowed DOD to privatize its family housing, and, in 2002, that authority was expanded to specifically include transient housing, also known as lodging facilities.<sup>22</sup> Lodging facilities are intended to be occupied by members of the armed forces on temporary duty. The Army determined in 2003 that it needed to either replace or renovate about 80 percent of its lodging facilities due to the poor condition of these facilities and needed a plan to sustain and recapitalize the facilities for the long term. The Army determined that privatization, through conveying the facilities and transferring responsibility for the management and maintenance of those facilities to a private developer, would allow it to address the near-term concerns about the condition of the lodging facilities more quickly than under continued Army operation, as well as address the facilities' long-term sustainment and recapitalization needs. Through this arrangement, the Army retains ownership of the land but conveys ownership of the buildings to the private developer. At the end of the lease term, the buildings, along with any improvements, return to the Army. According to Navy and Air Force officials, the other departments have not engaged in privatizing their lodging facilities at the time of this review.

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<sup>20</sup>Land that DOD classifies as underused or not utilized may not necessarily be considered excess property. Pursuant to section 102(3) of Title 40, U.S. Code, excess property is defined as property under control of the federal agency that the agency head determines is not required to meet the agency's needs or responsibilities. Therefore a parcel of DOD real property could potentially be underused yet still not be excess because it is required to meet certain DOD needs or responsibilities.

<sup>21</sup>[GAO-11-574](#).

<sup>22</sup>Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107-314 § 2803 (2002).

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## Certain Types of Alternatively Financed Project Agreements Are Governed by the Federal Acquisition Regulation

The Federal Acquisition Regulation (FAR) system was established to codify uniform policies and procedures for acquisition of supplies and services by executive agencies.<sup>23</sup> According to DOD officials, renewable energy and utilities privatization contracts that we reviewed are generally governed by the FAR. Under the Federal Acquisition Regulation, a contract is defined as a “mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them,” to include “all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing.”<sup>24</sup> Generally, the parties’ obligations under a contract end when the required performance is completed, that is, when the government has accepted the supplies or services and paid the contractor in full. However, if a contractor has not performed as agreed, the government may choose to end its obligations by terminating the contract for default. In other cases, even when the contractor is performing acceptably, it may be in the interest of the government to end its contractual obligations before the contract is completed.

Contracts entered into under the FAR, including those for certain types of alternatively financed infrastructure projects, are typically required to acknowledge the unique position of the federal government by including a legal right to terminate procurement contracts for the government’s convenience. This right gives the government—e.g., DOD and other federal agencies—the option to terminate a contract for convenience prior to completion when circumstances, such as closing a DOD installation, mean termination is in the government’s interests.<sup>25</sup> If the government did not have this right to prematurely end a contract, it might instead be required to continue a contract that was no longer needed, or breach the contract and potentially pay expectation damages to the contractor, resulting in the unnecessary expenditure of government funds.<sup>26</sup> In

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<sup>23</sup>Federal Acquisition Regulation (FAR) § 1.101.

<sup>24</sup>FAR § 2.101(b).

<sup>25</sup>Subject to certain limitations, a termination for convenience typically needs only to be in the government’s interest. See generally, FAR §§ 49.101(b), 52.249-2, 52.249-6.

<sup>26</sup>Expectation damages are compensation awarded for losses reasonably anticipated from an uncompleted transaction (such as anticipated profits on a contract), which must be distinguished from compensation awarded for costs that have actually been incurred at the time of termination of the contract. Expectation damages are not ordinarily recoverable when a contract is terminated for the convenience of the government.



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contrast, the contractor is not given a right to terminate for convenience, and this type of contractual right is rare outside the world of federal government contracting.

Contracts entered into under the FAR must be terminated by the procedures specified in the FAR.<sup>27</sup> When the government terminates a contract for convenience, the contracting officer must send a written termination notice to the contractor indicating whether the termination is partial or complete.<sup>28</sup> The written notice may also contain special instructions, and in some cases personnel mitigation efforts.<sup>29</sup> Upon receiving the notice of termination, the contractor is required to stop all work immediately under the terminated portion of the contract and terminate all related subcontracts. When inventories exist, the contractor must, as directed by the contracting officer, deliver to the government a “termination inventory” that lists materials produced or acquired under the contract and government-furnished property<sup>30</sup> and account for all inventory related to the terminated portion of the contract by completing termination inventory schedules, generally within 120 days of the effective date of the termination.<sup>31</sup> The contractor must dispose of all remaining property, as agreed with the government.<sup>32</sup> The contractor also begins the process of settling with its subcontractors.<sup>33</sup>

The contractor has one year from the effective date of the termination to submit a settlement proposal to the contracting officer, unless the period is extended by the contracting officer handling the termination.<sup>34</sup> The amount of the settlement proposal reflects all of the costs for which the

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<sup>27</sup>FAR Part 49.

<sup>28</sup>In a complete termination for convenience, the contract ends on the date specified in the government’s notice of termination. In a partial termination, only the terminated portion is ended on the specified date.

<sup>29</sup>FAR § 49.102(a).

<sup>30</sup>FAR § 49.206-3. For commercial-item contracts, the government has no claim to any work in progress.

<sup>31</sup>FAR § 49.303-2.

<sup>32</sup>FAR § 49.104(i).

<sup>33</sup>FAR § 49.104(g).

<sup>34</sup>FAR §§ 49.206-1(a) and 49.303-1.

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contractor believes it is entitled to be reimbursed, including incurred costs for work performed, termination costs, plus, in some cases, a reasonable profit or fee on its completed work, minus all payments made to date and the value of the property the contractor retained upon termination.<sup>35</sup> When the contracting officer receives the contractor's settlement proposal, he or she can choose to pay the proposed amount or negotiate with the contractor.<sup>36</sup> If the contractor does not submit a settlement proposal within one year from the effective termination date, or if the contracting officer cannot reach agreement with the contractor, the contracting officer may unilaterally decide on the amount to which the contractor is entitled, applying the standards that are set forth in the FAR. The FAR also provides the contractor the right to appeal<sup>37</sup> the contracting officer's determination of the termination settlement to the applicable Board of Contract Appeals<sup>38</sup> or to the United States Court of Federal Claims, if the contractor has met its deadline for submission of the settlement proposal.<sup>39</sup>

Other types of legal agreements for alternatively financed projects are not generally subject to the FAR. These non-FAR agreements are governed by other legal requirements, depending on the authority used to execute the agreement and any implementing regulations and policies. For example, section 2667 of title 10 of the United States Code authorizes the secretaries of the military departments to enter into leases that do not contain a clause permitting revocation of the lease at any time (similar to a termination for convenience), if the secretary finds that omitting such a clause promotes the national defense or is in the public interest. According to DOD officials, the privatized housing, enhanced use lease, and Army lodging agreements that we reviewed are not governed by the FAR. For non-FAR agreements, the government's termination rights and practices are different than those described above. In general, these other types of agreements represent instances in which the federal

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<sup>35</sup>FAR § 52.249-2 (fixed-price contracts) and FAR § 52.249-6 (cost-reimbursement contracts).

<sup>36</sup>FAR § 49.105.

<sup>37</sup>FAR § 49.109-7(f).

<sup>38</sup>Appeals for contracts with the Department of Defense are filed with the Armed Services Board of Contract Appeals.

<sup>39</sup>FAR 52.249-2(j) and 52.249-6(j).

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government, rather than purchasing goods or services from a contractor, is investing federal capital or leasing a government asset. The consequences of base closure and potential termination in these cases will vary in accordance with the terms of the agreements in question.

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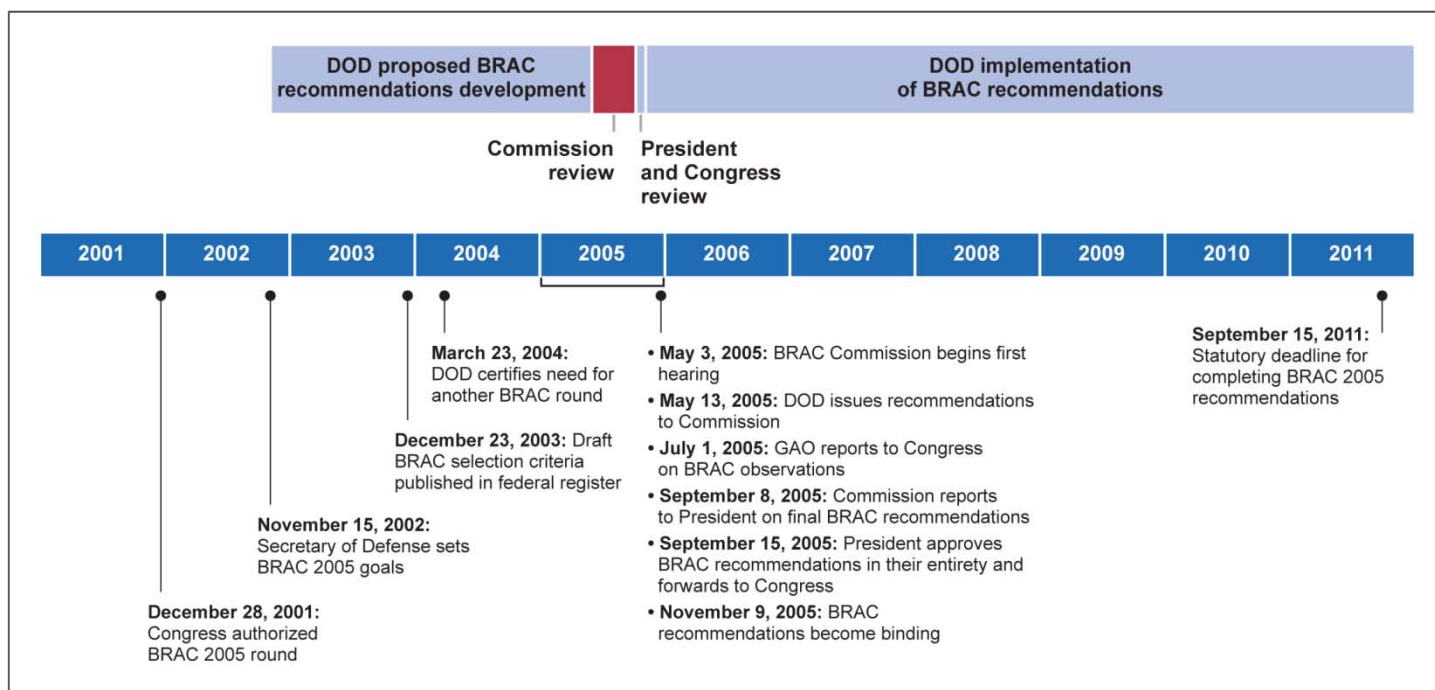
## Base Realignment and Closure (BRAC)

Since 1988, DOD has relied on the BRAC process as an important means of reducing excess infrastructure and realigning bases to meet changing force structure needs. The 2005 BRAC round was the fifth round of base closures and realignments undertaken by DOD since 1988, and it was the biggest, most complex, and costliest BRAC round ever. The 2005 BRAC process generally followed the legislative framework of previous BRAC rounds, providing for an independent Defense Base Closure and Realignment Commission to review the Secretary of Defense's realignment and closure recommendations, which were produced through DOD's BRAC processes coordinated by the Deputy Under Secretary of Defense (Installations and Environment).<sup>40</sup> The Commission assessed the Secretary's recommendations, under its authority to approve, modify, reject, or add closure or realignment recommendations, before reporting its own recommendations, to the President. The President then approved the Commission's recommendations and forwarded them to Congress, and the recommendations became final in November 2005. Implementation of the recommendations was required to be complete by September 15, 2011. Figure 1 below displays a timeline of the 2005 BRAC round.

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<sup>40</sup>Congress authorized BRAC 2005 with the passage of the National Defense Authorization Act for Fiscal Year 2002. Pub. L. No. 107-107, Title XXX (2001). The law reauthorized the BRAC process by amending the authority under which the 1991, 1993, and 1995 rounds had been carried out, the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510, Title XXIX ((10 U.S.C. 2687 note). Throughout this report, we will refer to the Defense Base Closure and Realignment Act of 1990 (as amended) as "the BRAC statute."

**Figure 1: Timeline of BRAC 2005 Round**



Source: GAO.

## BRAC Process for Estimating Cost and Savings

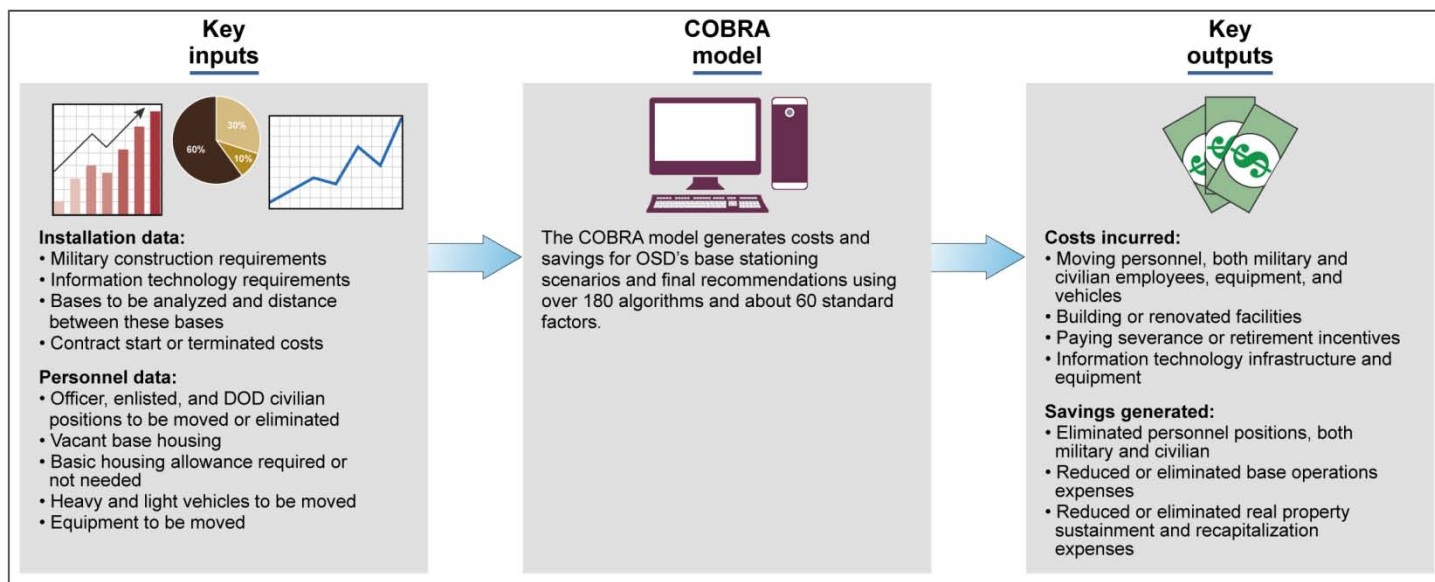
To provide a framework for promoting consistency in estimating the costs and savings associated with various proposed BRAC recommendations, DOD has used an estimation model known as COBRA in its base closure process since 1988, and DOD intends to use the COBRA model for future BRAC rounds. It provides information on cost and savings, which is one of eight selection criteria used in the selection process to compare scenarios and used by decision makers to arrive at final decisions regarding BRAC recommendations. The COBRA model relies to a large extent on standard factors and averages but,<sup>41</sup> as we have previously reported, it is not intended to represent budget-quality estimates.<sup>42</sup>

<sup>41</sup>For example, using the latitude and longitude of base locations, the COBRA model automatically calculates distances between bases, and using algorithms with standard cost factors, estimates transportation and moving costs.

<sup>42</sup>GAO, *Military Bases: Opportunities Exist to Improve Future Base Realignment and Closure Rounds*, [GAO-13-149](#) (Washington, D.C.: Mar. 6, 2013).

Specifically, we have examined the COBRA model in the past and have found it to be a generally reasonable estimator for comparing potential costs and savings among candidates for base closure. We have also previously reported that the COBRA model has been revised to address certain problems we and others have identified after each BRAC round.<sup>43</sup> For example, according to the COBRA model's user's manual, improvements have been made to revise calculations to better account for the costs for construction, transfer of military students from one installation to another, local moves, TRICARE,<sup>44</sup> homeowners' assistance, and several other cost/savings factors. The model provides a standard quantitative approach to comparing estimated costs and savings across various proposed recommendations. However, it is important to note that as with any model, the quality of the output is dependent on the quality of the input. Key inputs and outputs of the COBRA model are shown in figure 2.

**Figure 2: Key Inputs and Outputs of the COBRA Model**



Source: GAO analysis of DOD information.

<sup>43</sup>GAO-13-149.

<sup>44</sup>TRICARE is the health care program that serves uniformed service members, their dependents, and other covered beneficiaries.

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Since 2005, we have issued over 30 reports and testimonies on BRAC 2005 planning, implementation, costs, and savings. (For a listing of related reports and testimonies, see the Related GAO Products page at the end of this report).

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## In the Event of Base Closure, DOD's Potential Liabilities from Hundreds of Alternately Financed Projects Vary by Project Type and Legal Agreement

In the event of future base closure, DOD's potential financial liabilities from hundreds of alternatively financed projects will vary by the project type and the terms of each legal agreement. DOD had more than 550 alternatively financed projects on more than 240 U.S. installations, as of September 30, 2011. Generally, contracts that commit the government to make future payments are likely to result in liability, whereas agreements that represent an investment of federal capital or the leasing of a government asset—such as the lease of federal property—are less likely to result in liability in the event of base closure, but may pose other risks. Liabilities will likely exist for renewable energy and privatized utility projects in the event of base closure because these projects commit the government to making future payments, but the liabilities may be limited by termination for convenience or similar clauses in those agreements. However, in most cases, privatized housing, privatized Army lodging, and enhanced use lease projects are not expected to create a financial liability if installations close, because DOD does not expect to terminate these types of agreements.

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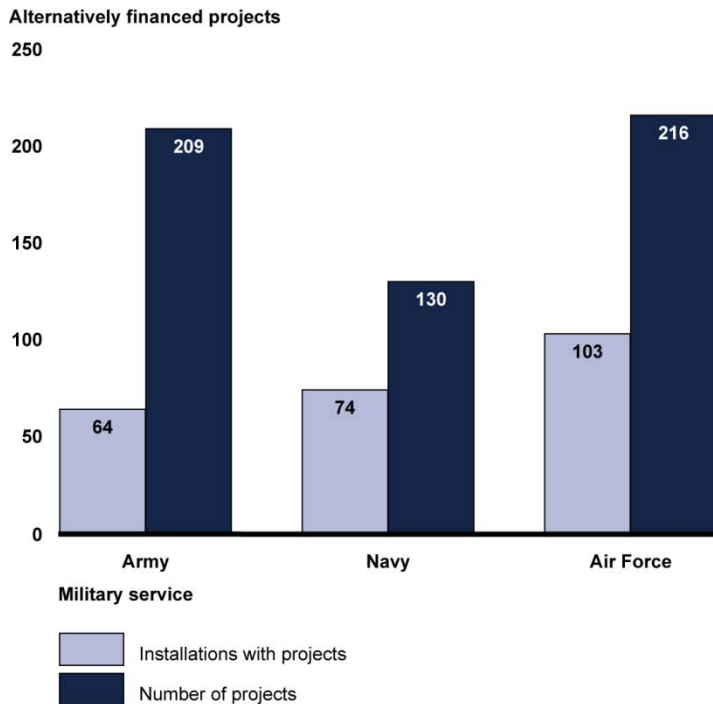
## The Army, Navy, and Air Force Each Had Alternately Financed Projects on Their U.S. Installations as of September 30, 2011

Each military department had alternatively financed projects on U.S. installations as of September 30, 2011.<sup>45</sup> A majority of these (63 percent) were alternatively financed renewable energy and privatized utility projects. Considering all five project types, the Army reported that it had almost 210 projects on more than 60 of its installations; the Navy reported that it had 130 projects on about 75 installations; and the Air Force reported that it had almost 220 projects on over 100 installations. The breakout by military department of DOD's alternatively financed projects on its installations, as of September 30, 2011, is shown in figure 3.

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<sup>45</sup>According to our analysis of project data reported by DOD, 44 percent (245 of 555) of these alternatively financed projects were active prior to May 1, 2005, since the last round of BRAC was conducted.

**Figure 3: Total Number of Alternately Financed Projects on U.S. Installations Reported by DOD, by Military Department, as of September 30, 2011**

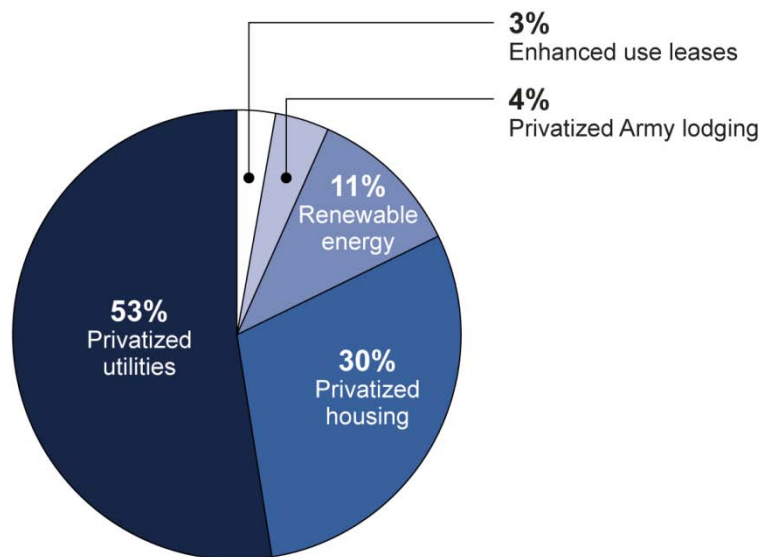


Source: GAO analysis of DOD data.

According to our analysis of project data reported by DOD, privatized utilities constituted 53 percent (292 projects) of the 555 alternately financed projects. Examples of this type of project in our case studies include a contractor's improvement, operation, and maintenance of the water and wastewater distribution infrastructure on an Army installation, and a contract for electricity distribution services and infrastructure on a Navy installation. Renewable energy projects accounted for 11 percent (60 projects) of all projects. Examples of this project type in our case studies include a facility that generates electricity from landfill gas on a Navy installation and a solar power project that generates electricity on an Air Force installation. Privatized housing accounted for 30 percent (166 projects); examples in our case studies include a 670-unit project on an Air Force installation and a 925-unit project on a joint installation. Privatized Army lodging projects represented about 4 percent (21 projects) of DOD's reported alternately financed projects, and 10 percent of the Army's 209 alternately financed projects. An example of this type of project in our case studies is a 673-room lodging facility on a joint installation. Finally, enhanced use lease projects accounted for 3

percent (16 projects) of all projects. Examples in our case studies of this project type include a lease to a contractor developing an office park on an Army installation and a lease to a city that uses the land for its wastewater treatment facility. The distribution of alternatively financed projects for each of the five project types we included in this review is displayed in figure 4.

**Figure 4: Percentage of Alternatively Financed Projects by Project Type, as a Portion of All Alternatively Financed Projects Reported by DOD on U.S. Installations, as of September 30, 2011**



Source: GAO analysis of DOD data.

Note: Percentages may not add up to 100 percent due to rounding.

For additional information on each alternatively financed project as reported by DOD, see appendix II.



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## Potential Liabilities Exist for Renewable Energy and Privatized Utility Projects in the Event of Base Closure, but Are Limited

### In the Event of Base Closure, Liabilities from Renewable Energy and Privatized Utility Projects Are Likely

DOD officials stated that—in the event of base closure—liabilities are likely to exist for renewable energy and privatized utility contracts that are terminated for convenience.<sup>46</sup> This is because, under these contracts, the government has typically obligated itself to make future payments in return for certain goods and services provided by the contractor. Officials expect that about 82 percent (249 out of 303)<sup>47</sup> of these types of projects would likely result in liabilities, in the event of base closure.<sup>48</sup> DOD officials explained that—in the event of base closure—the military departments would probably decide to terminate certain contracts for convenience, because contract clauses governing these projects may limit the size and type of liability. DOD would then need to negotiate a financial settlement with the contractors to pay for certain costs, in accordance with the relevant contract clauses. As previously discussed, terminations for convenience provide certain protections for the government's financial interest by limiting the amount of money DOD may have to provide the contractor in the event of such terminations.

DOD officials explained that most renewable energy and utility privatization projects are likely to result in financial liability in the event of base closure because these agreements commit the government to make future payments over a period of years. This is significant because almost two-thirds (63 percent) of alternatively financed projects reported by DOD

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<sup>46</sup>As discussed earlier, according to our previously published work, DOD has certain renewable energy projects that are funded through up-front appropriations and others that are alternatively financed. In this report we are focusing on the alternatively financed renewable energy projects reported by DOD. For our previously published work on DOD renewable energy, see—for example—[GAO-12-401](#).

<sup>47</sup>The military departments reported a total of 352 renewable energy and utilities privatization projects. However, they responded to our question about potential liability for 303 projects. In certain cases, the Navy did not provide responses to our question about potential liability because certain utility privatization projects are privatized as “ancillary supporting facilities” for military housing units under the military housing privatization initiative, 10 U.S.C. § 2881. In these cases, DOD officials explained that both the privatized housing project and associated utilities would likely continue, in the event of base closure. We discuss these cases in more detail later in the report.

<sup>48</sup>For 11 percent of these projects, the responses indicated that DOD officials were uncertain whether there would be a liability. For example, according to an Army official, the likelihood of liability depends on when the base closure occurs. The official explained that, in most of these cases, if the agreement was still in force when the installation closed, the government would likely have a liability. In the remaining 7 percent of these projects, DOD officials indicated that a liability is not likely, but did not provide an explanation.

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officials are either a renewable energy or privatized utility project (see figure 4). In addition, according to our analysis of project data reported by DOD, almost 70 percent of installations with an alternatively financed project had at least one of these two types of projects. In 11 of 12 case studies for these two project types, DOD officials from each military department stated that they expect a liability in the event of base closure.

For the renewable energy projects that we examined in detail, DOD officials explained that Power Purchase Agreements, Energy Savings Performance Contracts, and Utility Energy Service Contracts would likely be terminated for convenience in the event of base closure. Specifically, in each of four renewable energy case studies, DOD officials from each military department stated that they expect a liability if the base closes. For example, according to our review of one renewable energy project's legal agreement, the Army's termination for convenience of this agreement could result in a liability of up to \$5.3 million, depending on the date of termination. Two of the four alternatively financed renewable agreements we reviewed contained termination clauses that established an amount of maximum government liability by month or year during the agreement.<sup>49</sup>

Similarly, for the utility privatization project case studies that we examined, DOD officials from each military department explained that they would likely decide to terminate certain privatized utility contracts if an installation closed. Among the privatized utility projects we discussed with DOD and reviewed, DOD officials explained that those managed under a stand-alone agreement would likely be terminated.<sup>50</sup> According to our analysis of project data reported by DOD, almost all (96 percent)

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<sup>49</sup>Certain multi-year energy agreements are required by regulation to contain a "cancellation ceiling," which, in combination with other portions of the agreement, sets a fixed limit to the government's liability in the event of a termination for convenience. 10 C.F.R. §§ 436.34(a)(4), 436.38 (citing FAR parts 17 and 49). Not all agreements we examined contained such a ceiling, and in those cases the extent of the government's liability would be harder to assess.

<sup>50</sup>For the purposes of this study, we are defining "stand alone" utility privatization agreements as those projects entered into under the authority of 10 U.S.C. § 2688. This does not include utilities that were constructed or acquired as "ancillary supporting facilities" for military housing units under the military housing privatization initiative, 10 U.S.C. § 2881. As discussed in this report, the leases that govern these housing privatization projects—and the sections of the leases that govern utility privatization—would likely continue in the event of base closure.

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privatized utility projects were privatized under stand-alone agreements. In 7 of our 8 case studies for such utility privatization projects, DOD officials stated that they expect a liability if the base closes. For example, at an Army installation we visited, officials stated they would likely decide to terminate the installation's privatized electric, water and wastewater utility contracts if the base were to close. In another instance, a Navy contract for privatized electricity at several installations provides that the contract will be terminated in the event of a base closure action. However, according to our discussions with military department officials, the full amount of the government's financial liability resulting from these terminations would not be determinable until negotiations over the amount of the termination settlement between the government and the private entity are completed.

#### Contract Clauses May Limit the Amount and Type of Potential Liability

Contracts that commit the government to make future payments are likely to result in liability if terminated due to base closure, but the amount of liability may be limited by relevant contract clauses. Renewable energy and utility privatization projects are likely to result in a financial liability in the event of base closure because they typically involve government payments in return for various services over a period of years. As previously discussed, however, the termination for convenience provisions in the FAR limit the scope and size of the settlement amount that DOD is required to provide to a contractor. Termination for convenience settlements will ultimately vary according to the specific terms of each contract, but generally, settlement amounts are required to provide the contractor with fair compensation, based on three components: incurred costs for the work performed, fee or profit on that work, and termination costs. Settlements only include costs related to the terminated contract and therefore will not reflect other costs that may be a result of a termination, but are outside the scope of the contract, such as larger community effects—for instance, a contractor going out of business. In addition, in cases where the government terminates for convenience, the contractor typically will not be entitled to anticipatory profits or consequential damages.<sup>51</sup>

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<sup>51</sup>These types of damages are associated with breach of contract. As we have previously reported, the government right to terminate for convenience prevents the government from having to pay these types of damages when prematurely ending a contract is in its interest. GAO, *Defense Acquisitions: Termination Costs Are Generally Not a Compelling Reason to Continue Programs or Contracts That Otherwise Warrant Ending*, [GAO-08-379](#) (Washington, D.C.: Mar. 14, 2008).

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The case studies that we reviewed in detail provide examples of how terminating a contract for convenience would mitigate liabilities. For example, in the case of a renewable energy project on a Navy installation, the government's right to terminate the contract for convenience would likely provide the government with a less costly means to end the agreement. Specifically, in the absence of a termination for convenience clause, the contract would potentially require the government to either pay the private entity for electrical power for many years after the installation closed or breach its contract with the entity, paying damages that likely would exceed the cost of a termination for convenience settlement. Although this example demonstrates a way in which terminating a contract for convenience may limit the size and type of liabilities DOD could face in the event of base closure, officials expect—as noted above—that 82 percent of renewable energy and privatized utility projects would likely result in liability.

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**In Most Cases, Privatized Housing, Enhanced Use Lease, and Privatized Army Lodging Projects Are Not Likely to Create Financial Liability If Installations Close**

Our analysis of project data reported by DOD found that three types of projects—privatized housing, enhanced use leases, and privatized Army lodging—are generally not likely to result in financial liability for DOD in the event of base closure. According to our analysis of project data, more than 90 percent of these three types of projects—as reported by DOD—were not likely to result in a financial liability for DOD if the project's base closes. In addition, according to DOD officials from each military department, 15 of 17 privatized housing, privatized Army lodging, and enhanced use lease projects that we examined in our case studies would not result in liability in the event of base closure. According to our discussions with DOD officials and review of supporting documentation, this is because in most cases the leases and other agreements that govern these projects would likely continue even if the installation closes. Unlike the renewable energy and utilities privatization contracts previously discussed, these three types of projects typically represent an investment of federal capital or leasing of a government asset, as opposed to a contractual obligation requiring future government expenditures. They are therefore less likely to result in liability, although each agreement must be reviewed individually to determine whether it is subject to additional factors that could result in financial liability for DOD.

According to our analysis of project data reported by DOD, almost all (95 percent) of the housing privatization projects are not likely to result in a liability in the event of base closure. This is because, for projects we examined in detail, military department officials explained that they do not plan to terminate project leases. Further, for 9 of 11 housing privatization

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case studies, DOD officials from each military department stated that they do not expect a liability in the event of base closure. For example, in discussions with Navy officials regarding one housing privatization project we reviewed, they stated that they expected the privatized housing agreement would remain in force, and the limited liability corporation managing the housing would continue leasing its housing units to the general public even after the base closes.

However, there are two factors that may result in liability in the case of privatized housing. First, as of October 2012, there was a relatively small number of privatized housing agreements (seven, according to DOD officials) in which the military department has made a limited loan guarantee.<sup>52</sup> In these cases, if certain conditions are met, the government could be required to make the loan payments on behalf of the private sector borrower (the limited liability corporation). For example, according to our discussions with Air Force officials regarding one housing privatization project with a limited loan guarantee, if the installation were to close, the loan guarantee would only go into effect if several conditions were met, including either (1) a drop of 30 percent or more in the number of eligible military personnel available to lease homes at that locale or (2) if the ratio of eligible military personnel to available family housing units becomes less than 1.5 to 1. Second, in some cases, DOD may have to pay certain costs as the housing contractor transitions from renting to DOD tenants to renting to non-DOD tenants. For example, at a Navy installation that closed during BRAC 2005, the Navy paid about \$149,000 to install electric and water meters for the housing units. According to Navy officials, the housing project's legal agreement did not require the Navy to take this action, but the Navy did so to ensure that it would not be charged for utility usage.

According to our analysis of project data reported by DOD, officials did not expect that any of the enhanced use lease projects would result in a liability in the event of base closure. For the majority of enhanced use lease projects we reviewed in detail, DOD officials do not expect the military department to have a financial liability in the event of base closure because DOD does not plan to terminate the leases. Specifically, in four of five enhanced use lease case studies, DOD officials from each military

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<sup>52</sup>The military departments reported 166 privatized housing projects as of September 30, 2011, and 7 of these projects (3 in the Army and 4 in the Air Force) included limited loan guarantees.

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department stated that they do not expect a liability in the event of base closure because they do not plan to terminate the leases. For example, in discussing one Air Force enhanced use lease, officials stated the Air Force will continue to receive rent even if the installation is closed.<sup>53</sup> They do not believe the Air Force would have other potential liabilities from this lease in the event of a base closure.

While closing an installation with an enhanced use lease will not typically result in liability, it could result in forgone revenue. For example, at one installation, because the private entity is using only a portion of a government-owned building, officials believe that—in the event of base closure—the entire building would likely be closed, and as a result the military department may have to terminate the lease. In that instance, because the lease includes a government right to terminate the lease with 180-day advance notice, the only likely result would be prorating rent and forgoing future rental income. As with most other types of projects, this determination of potential financial consequences requires a case-by-case examination of the underlying agreements and circumstances in question.

According to our analysis of project data reported by the Army, none of its privatized lodging projects are expected to result in a liability in the event of base closure. This is because Army officials expect that privatized lodges will remain in business in the event of base closure; the officials do not plan to terminate the project's lease, and thus, do not expect that any financial liabilities would result from the lodging projects. According to Army officials with whom we met and documentation we reviewed, the privatized Army lodging master lease agreement has language that specifically addresses base closure. The lease states that in the event that the government assigns or transfers the lease in connection with conveying title to the site of a privatized Army lodging project, the lease

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<sup>53</sup>Officials explained that this is the case unless the leasehold is taken from lessee by eminent domain. However, officials indicated that this is an unlikely scenario. In addition, the lessee has a "First Right of Refusal" to purchase the property, in the event the installation is closed and the property is offered for sale; rather than receiving rent the government would receive money in one lump sum that may be more or less than the rent collected over the remainder of the agreement's life.

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shall remain in full force and effect, subject to certain limitations.<sup>54</sup> Therefore, no liability is likely to result.

While DOD's potential financial liability appears limited for most privatized housing, enhanced use lease agreements, and privatized Army lodging, there may be costs that occur for reasons outside of the agreements. For example, as mentioned earlier, in one instance the Navy paid to have meters installed on the privatized housing units at a closed base to ensure that the Navy would not be billed for utilities used by residents of the privatized housing it no longer used. In addition, one DOD official has expressed concern that contractors may seek financial compensation for privatized housing on closed installations, which reflects that, given the complex and costly nature of these projects, there is always the potential for unforeseen future litigation.

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## Not All Costs Associated with Alternatively Financed Projects Were Captured in Closure Estimates for Consideration in the BRAC 2005 Round

Three of five installations that had alternatively financed projects and were closed in the 2005 BRAC round had closure costs associated with the projects that DOD did not include in its COBRA model estimates. BRAC 2005 policy guidance for determining costs and savings of BRAC actions and COBRA model instructions require that DOD consider all costs and savings associated with various base closure scenarios.<sup>55</sup> We have identified three factors that may have contributed to the costs associated with alternatively financed projects not being included in COBRA estimates.

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<sup>54</sup>Certain specified rights of the federal government would not succeed to the party to whom the government assigned or transferred its lease in certain circumstances. In addition, if the government were required to sever the site—so that the lessee were unable to develop and operate the hotel facilities as a complete and undivided whole—certain changes to the lease could be required, at government expense.

<sup>55</sup>The specific BRAC 2005 policy guidance we discuss here is *Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Three – Selection Criterion 5* (December 7, 2004), issued by the acting Under Secretary of Defense for Acquisition, Technology, and Logistics. The specific COBRA model instructions we discuss are the BRAC 2005 versions of the COBRA Users Manual and COBRA Analyst Template.

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### Three Installations Had Closure Costs Not Included in 2005 COBRA Estimates

Based on discussions with DOD officials who were involved in—or had knowledge of—the BRAC 2005 processes and our review of installations' BRAC implementation budgets and other related documentation, we determined that for three of the five installations with alternatively financed projects, there were closure costs associated with their projects that DOD did not include in its COBRA estimates. We have previously reported that DOD's process for providing the BRAC Commission with costs and savings estimates was hindered by inputs into COBRA that underestimated certain types of costs, including contract-termination costs.<sup>56</sup>

As can be seen in table 1 below, we found that two of the locations were Army installations and the third was a Navy installation. DOD has subsequently identified more than \$24 million in costs paid out thus far for these projects, and as of January 2013 additional settlement costs were still being negotiated. As noted above, three of five closed installations had costs associated with an alternatively financed project. One of the Army locations where there were such costs is Fort Monmouth, NJ where DOD terminated for convenience a renewable energy contract involving ground source heat pumps. The Army's reported costs included payments to the contractor for the contract termination and installation of several boilers to heat installation buildings that were to be heated by the heat pumps. In total, these costs came to about \$24.3 million. However, these costs were not included in the COBRA estimates developed for this closure recommendation. The second Army location is Fort Monroe, VA where DOD terminated for convenience a privatized electrical utility contract. DOD terminated the contract for convenience in September 2011, when—according to a DOD official—the installation was closed. In June 2012, the privatized electrical contractor submitted to DOD a termination for convenience settlement proposal with options for a U.S. government payment of either \$9.9 million or \$30.0 million, depending on the remaining work to be done by the contractor. As of January 2013, the final settlement had not been determined. These costs were not included in the COBRA estimates developed for this closure recommendation. The third installation is Brunswick Naval Air Station, ME. When this installation closed in May 2011, a privatized housing project at the installation remained open. As discussed earlier in this report, to ensure that utility companies correctly charge the Navy for utilities used on the installation,

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<sup>56</sup>[GAO-13-149](#).



the Navy paid for installing electric and water meters for the housing units. The cost of this work was about \$148,800, but was not included in the 2005 COBRA estimates for this closure recommendation.<sup>57</sup>

**Table 1: Installations Closed during the 2005 Round of BRAC That Had an Alternatively Financed Project**

<b>Military Department</b>	<b>Installation Name and State</b>	<b>Type of Alternatively Financed Project(s)</b>	<b>Alternatively Financed Project Closure Cost (in Thousands of dollars)<sup>a</sup></b>	<b>Is the Cost Recorded in COBRA?</b>
Army	Ft. Monmouth, NJ	Renewable energy	\$24,275	No
Army	Ft. Monroe, VA	Privatized electrical, potable water, and wastewater utilities	\$9,900 or \$30,000 <sup>b</sup>	No
Navy	Naval Air Station Brunswick, ME	Privatized housing	\$149	No
Navy	Naval Air Station Ingleside, TX	Privatized housing	\$0	Not applicable
Navy	Marine Corps Air Station Kansas City, MO	Privatized housing	\$0	Not applicable

Source: GAO analysis of DOD information

Notes:

<sup>a</sup>Numbers are rounded to the nearest thousand.

<sup>b</sup>In June 2012, the privatized electrical contractor submitted to DOD a termination for convenience settlement proposal with options for a payment of either \$9.9 million or \$30.0 million depending on the remaining work to be done by the contractor. As of January 2013, the final settlement had not been determined.

## Several Factors May Have Contributed to DOD Not Including Alternatively Financed Project Costs in COBRA Estimates

We have identified three factors that may have contributed to the costs associated with alternatively financed projects being omitted from COBRA estimates. BRAC 2005 policy guidance for determining costs and savings of BRAC actions requires that DOD consider all costs and savings associated with base closure scenarios, and DOD instructions for using the COBRA model stress the importance of capturing all known costs and savings caused by a potential realignment action. We have previously reported that detailed requirements must be captured before comparing

<sup>57</sup>The Navy's COBRA estimates regarding NAS Brunswick were based on the Navy recommendation that the installation be realigned, not closed. According to DOD officials, in the case of realignment, the Navy would not have installed meters. The Navy's COBRA estimate for realigning the installation did not include the cost of the metering work. The BRAC Commission recommended closure of NAS Brunswick, and the Commission's COBRA estimate for closing the installation did not include the cost of the metering work.

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scenarios in order to have the COBRA model produce estimates that more closely approximate actual implementation costs.<sup>58</sup> Further, according to our work on best practices for government operations, ensuring that collected data are consistent and comprehensive is important for supporting decision-making.<sup>59</sup> Because the gathering, analysis, and entry of data into COBRA for BRAC 2005 occurred in 2004 and 2005, Army and Navy officials could not provide us with specifics on the steps involved in entering data into COBRA for the three submissions that lacked estimates of costs related to alternatively financed projects.<sup>60</sup> However, because DOD intends to use the COBRA model for future BRAC rounds, we reviewed DOD's processes for obtaining data on costs associated with alternatively financed projects for COBRA analyses and the guidance available to gain additional insight into the process.

Our analysis indicated three factors that may have contributed to the omission of costs associated with alternatively financed projects from COBRA estimates. First, DOD's collection of data on potential base closure costs was not consistent or comprehensive regarding alternatively financed projects. During BRAC 2005, DOD sent questions to installations to gather information on installation-specific costs and savings. The answers to these questions were used to provide the data that DOD entered into the COBRA model. However, the questions did not directly request information on potential costs related to alternatively financed projects in a consistent or comprehensive manner. In some cases, DOD asked questions specific to potential termination costs associated with utility privatization contracts, as well as utility energy savings contracts and energy savings performance contracts, two types of alternatively financed contracts that may involve a renewable energy component. However, the questions were not asked consistently. Specifically, our review indicates that the questions about utility privatization and the energy contracts were directed specifically at Air Force installations. Navy installations were not asked to answer these questions; and Army officials could not provide evidence that such questions were sent to Army installations. Further, the questions were not

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<sup>58</sup>GAO-13-149.

<sup>59</sup>GAO/GGD-96-118.

<sup>60</sup>Officials cited several reasons, including that documents are no longer available following base closure; the retirement of officials involved in entering data into COBRA; and a lack of access to databases with relevant information.

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comprehensive, because DOD did not ask questions specific to potential costs associated with other types of energy contracts or with privatized housing, lodging, or enhanced use lease projects. As previously noted, these three project types are less likely to result in costs in the event of base closure. However, the potential for costs associated with these project types still exists. For example, the government agreed to limited loan guarantees on certain privatized housing projects and undertook metering for privatized housing.

Second, for cases in which DOD officials are not able to estimate the particular costs associated with alternatively financed projects within the data collection timeframes, the COBRA model does not provide users with a data input option to indicate that a cost may nevertheless exist. Estimating these particular costs may be a challenge because during the BRAC data collection process, officials at installations had limited time to answer questions, and this may have impacted their ability to develop estimates of costs associated with alternatively financed projects. According to DOD officials, in some cases officials at the installation level during the BRAC 2005 data call were provided with about 48 hours of turn-around time before answers were due. DOD officials explained that estimating the costs associated with alternatively financed projects in the event of base closure can require a substantial amount of time. This is because such estimation may involve the collection of a substantial amount of project information and analyses conducted by officials at multiple levels within a military department. Ultimately, these costs are only determinable through negotiation and resolution with the project's contractor under the terms of the relevant contracts and agreements.

According to our analysis of project data reported by DOD, for alternatively financed projects that are likely to result in a cost in the event of base closure, DOD officials estimated that for almost two thirds (65 percent) of these projects the officials would require a month or more to estimate the cost. For example, DOD officials stated that 48 hours may not be enough time to identify the location of a project's legal agreements—much less review the agreements—or fully estimate those costs. In some cases, officials may not know the full costs associated with alternatively financed projects on closed bases for several years after they have provided information for the COBRA model. For instance, at Ft. Monroe, the Army decided to terminate for convenience a privatized electrical utility contract. Information pertaining to the potential closure of the installation was entered into COBRA in 2005; the installation was closed—according to a DOD official—in September 2011; and as of January 2013, DOD and the contractor had not finalized the settlement

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cost. According to our review of the COBRA model and associated instructions,<sup>61</sup> the model does not provide users with the capability to indicate that a cost of an uncertain amount may exist. Specifically, the model's data input fields for costs and savings require the user to input information in the form of a specific amount of money.<sup>62</sup> While the model provides users with the option to provide non-numerical information in footnotes, and instructions tell users to document the rationale of how costs were calculated in footnotes, the instructions do not tell users to indicate potential costs that are not entered into the data input fields. Thus, in a case where a cost is likely—but a numerical estimate cannot be generated in time for entry into COBRA—there is no option for providing non-numerical information that could help inform decision makers of the likelihood of such costs. The lack of such a data input option may result in decision makers not being aware of potential liabilities.

Third, while instruction is provided to COBRA users for entering costs associated with alternatively financed projects into the model's Screen 5, there are cases in which the instructions are not consistent or comprehensive. The instructions provide some guidance on entering estimates of costs resulting from the termination of contract and lease agreements. For example, the COBRA Manual states that "particular areas of interest" include contracts and leases. As discussed earlier in this report, the model contains data input fields for certain types of these costs, and the COBRA Manual states that users should enter information on costs associated with "contract termination" and "lease termination" into Screen 5. In addition, the COBRA Template provides some guidance on which data fields users should use when inputting the cost of terminations associated with contracts, and determination of costs and savings associated with leases. However, in some cases, the instructions are not consistent or comprehensive. For example:

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<sup>61</sup>During BRAC 2005, DOD provided COBRA users with four instructional documents for use of the model: a guide to the model's algorithms, a checklist, the COBRA Users Manual (COBRA manual), and COBRA Analysts Template (COBRA template). The last two provide the most detailed instructions for input of cost and savings data into the model.

<sup>62</sup>According to our review of both COBRA estimates and DOD instructions for entering costs into the BRAC 2005 model's Screen 5—the screen on which users are to input information on unique costs, such as contracts and leases associated with alternatively financed projects—is the screen in which users are instructed to enter the types of costs and savings associated with alternatively financed projects, in closure scenarios.

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- By listing “lease termination” and “contract termination” as broad categories of potential costs, the COBRA Manual and COBRA Template provide some guidance to users on alternatively financed project costs that should be included in Screen 5. However, the instructions do not further illustrate other types of costs that could be associated with these types of projects in the event of base closure. For instance, costs associated with privatized housing projects in the event of base closure could include DOD’s payment of limited loan guarantees or other additional costs associated with exiting from the projects, such as DOD’s cost to install additional utility meters, as discussed earlier. Although housing privatization projects are governed by leases, neither the payment of limited loan guarantees nor additional costs such as the cost of metering are the result of “lease termination.” In fact, according to DOD officials, these two types of costs could occur even as a project’s lease continues past base closure. In another example, the Army paid over \$1 million to install hot water boilers at Ft. Monmouth to heat buildings that would have been heated via the renewable energy contract that the Army terminated for convenience. As discussed earlier, these costs were not included in the COBRA estimates developed for the Ft. Monmouth closure recommendation. Thus, the instructions to include “lease termination” and “contract termination” costs may not be comprehensive enough to ensure users of the model are entering all potential costs associated with alternatively financed projects.
  - COBRA has data input fields for entering both costs and savings, but the instructions are not comprehensive in their explanation of whether the costs should be entered as net costs or if cost and savings should be entered in separate data fields. In the event of base closure, it is possible that an alternatively financed project could result in both gross costs and gross savings for DOD. For instance, terminating a utilities privatization contract could mean that DOD no longer pays the contractor for the service it was providing, resulting in cost avoidance (a type of savings). But, for the same contract, DOD may also provide the contractor with a termination for convenience settlement, resulting in liability for DOD. The COBRA manual states that costs and savings “are determined by the user.” However, instructions for COBRA users on this issue do not state how to determine costs and savings from contracts and leases considered for Screen 5. Specifically, there are no instructions on whether to enter costs and savings from the same contract as a net value in a single field or as distinct values in separate fields. Given that the model has multiple data fields into which users can input costs and savings, the instructions’ lack of

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clarity may make it difficult for decision makers to have the information necessary to make accurate comparisons across closure scenarios.

- The instructions do not consistently define key terms. While the instructions do define certain terms, there are other terms they do not define. For instance, the COBRA manual states that for users, it “might seem like” costs or savings could be entered into one of several data fields. The COBRA manual then instructs users to differentiate between different data input fields by considering whether the costs or savings are primarily “mission” or “support” related. However, because neither the COBRA manual nor COBRA template define either term, the user may be unclear on how to determine the category into which costs or savings should be placed. The lack of definitions could negatively affect the model’s output, since, according to the COBRA template, the costs will be captured differently for mission and support in COBRA reports.

We have previously reported that the cost estimates the Office of the Secretary of Defense (OSD) submitted to the BRAC Commission were significantly lower than actual implementation costs, and 2 of the 14 recommendations with the largest cost increases were partly due to existing contracts that had to be terminated or modified.<sup>63</sup> Further, according to DOD’s BRAC 2005 guidance, even minor changes suggested by COBRA model results may reduce costs or improve long term savings. Such changes could, in turn, affect the estimated relative cost or savings of closing one installation compared to another and the decision of which installation to close. Since the last round of BRAC was conducted, there has been a substantial increase (more than 125 percent) in the number of alternatively financed projects. According to military department officials with whom we discussed this increase, they stated that it will be important for the COBRA model to have the ability to fully capture information on the potential costs associated with alternatively financed projects, in the event of base closure. Given that DOD intends to use the COBRA model in future BRAC rounds, DOD and the BRAC Commission may not have the necessary information on potential net costs associated with the various options it is considering due to the lack of consistent and comprehensive information on costs associated with alternatively financed projects. As a result, DOD and the Commission

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<sup>63</sup>GAO-13-149.

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may face challenges in accurately comparing competing scenarios' net costs.

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## Conclusions

Congress has provided DOD with flexibility to manage its large inventory of real property through arrangements with the private sector that utilize funding sources other than appropriations, which has allowed the department to reduce its use of appropriated funds for certain key assets, such as utilities and family housing. This flexibility may allow DOD to shift resources to other requirements, but such agreements can increase the department's exposure to potential financial liabilities and other costs in the event of base closure. Given that DOD has a substantial number of these alternative financing agreements and that the department is interested in pursuing further base closure and realignment rounds, it is especially important that decision makers throughout the BRAC process have full information on potential costs involved in proposed BRAC actions. With the federal government facing an extended period of fiscal constraint, collecting initial data on all potential costs—including those related to alternatively financed projects—and ensuring that decision makers are aware of the potential for costs even when complete data are not available will improve the information for decision makers during the BRAC process. In addition, taking these actions may reduce some of the uncertainty involved in estimating the overall costs and savings of proposed BRAC actions. Improvements to the processes for data collection and cost estimation and clarification of the COBRA model guidance would provide the military departments with a better understanding of the data they need to provide in order to ensure that DOD and Congress can make informed decisions about how to balance the department's resources if further BRAC actions are taken.

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## Recommendations for Executive Action

To increase the overall reliability of the initial cost estimates that DOD submits with its recommendations to the BRAC Commission for any future BRAC round, we recommend the Under Secretary of Defense for Acquisition, Technology, and Logistics direct the Deputy Under Secretary of Defense for Installations and Environment to take actions to enhance the department's ability to identify any potential costs associated with its alternatively financed projects in the event of a base closure. Specifically, we recommend that the Under Secretary direct the Deputy Under Secretary to take the following three actions:

- Modify the procedures for collecting data in its BRAC data call to include questions that are consistent and comprehensive; directed to

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all three military departments; and specific to the potential types of costs associated with alternatively financed projects.

- Modify the COBRA model to add a capability that allows users to indicate that a potential liability may exist, even if the amount of the liability cannot be estimated at the time of data entry. For example, a data field could be added that provides the user with a “Yes / No” option to indicate the possibility of such a cost. In addition, COBRA instructions could be modified to instruct the user to provide information on the likely costs, in footnotes. This would increase the information available to decision makers and signal that there are potential costs in the event that a precise estimate cannot be calculated at that time.
- Further, modify COBRA instructions for entering information on costs associated with alternatively financed projects in the model to help ensure costs are consistently captured and complete. For example, illustrate the types of costs that should be included; specify whether costs should be entered as net costs or if costs and savings should be entered separately; indicate which data entry field is the appropriate field into which the user should enter such costs; and define key terms.

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## Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment; DOD did not concur with our recommendations, which were offered to assist DOD in increasing the consistency and comprehensiveness of the initial cost estimates that DOD submits with its recommendations to the BRAC Commission. DOD stated that because (1) the statute requires DOD to develop base realignment and closure recommendations on the basis of the selection criteria with military value having primary consideration and (2) other liabilities will not be known until after negotiations, it believes adding these liabilities in the cost estimating process is unnecessary. While we acknowledge that military value is the primary consideration used to evaluate potential BRAC candidates, the statute authorizing BRAC 2005 also established four additional criteria including the extent and timing of potential costs and savings of BRAC scenarios. The focus of our recommendations is to improve the collection of information to address this criterion.

Specifically, DOD did not agree with our first recommendation to modify the procedures for collecting data in its BRAC data call to include questions that are consistent and comprehensive; directed to all three military departments; and specific to the potential types of costs



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associated with alternatively financed projects. DOD stated that it does not believe that such costs should be collected as part of the BRAC data call, in that it would be impossible to determine those costs in advance. However, as discussed in this report, BRAC 2005 policy guidance and COBRA model instructions require that DOD consider all costs and savings associated with various base closure scenarios.<sup>64</sup> In fact, DOD collected some information on these costs in its BRAC 2005 data call, but it did not request this information consistently across all military departments or project types. For example, DOD asked questions specific to potential termination costs associated with utility privatization contracts, utility energy savings contracts, and energy savings performance contracts; and included the information in its COBRA cost estimates. Specifically, according to Air Force officials, during BRAC 2005, the Air Force took into account the cost of terminating utility energy savings contracts on several installations when considering realignment and closure scenarios, and included these costs in the COBRA cost estimates it developed for the scenarios.<sup>65</sup> Certain multi-year energy agreements—including utility energy savings contracts such as the ones at these installations—are required by regulation to contain a “cancellation ceiling,” which, in combination with other portions of the agreement, sets a fixed limit to the government’s liability in the event of a termination for convenience. As such, DOD’s statements that it does not believe that such costs should be collected as part of the BRAC data call and that it would be impossible to determine those costs in advance are inconsistent with its BRAC 2005 processes and actual experience.

Further, as we reported in March 2013, detailed requirements should be captured before comparing scenarios in order to have the COBRA model produce estimates that more closely approximate actual implementation costs.<sup>66</sup> DOD suggests that the primary advantage of COBRA is to provide real time comparison of scenarios to aid analysis and decision

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<sup>64</sup>Specifically, see *Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Three – Selection Criterion 5* (December 7, 2004), issued by the acting Under Secretary of Defense for Acquisition, Technology, and Logistics, and the BRAC 2005 versions of the COBRA Users Manual and COBRA Analyst Template.

<sup>65</sup>Pope Air Force Base was realigned, and although the Air Force developed COBRA estimates for the closure of both Cannon and Ellsworth Air Force Bases, neither base was closed as a result of the BRAC 2005 process. Because the three installations were not closed during BRAC 2005, we did not address these COBRA estimates in this report.

<sup>66</sup>[GAO-13-149](#).

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maker review, not to develop budget-quality estimates. We recognize that COBRA is not intended to provide budget-quality estimates, but that does not preclude the possibility of improvements to COBRA. We believe that our recommendation would enhance DOD's ability to collect data in a consistent and comprehensive manner and would assist DOD and the Commission in ensuring that scenarios involving bases with such projects are compared on an equivalent basis. Including these costs would potentially improve the cost estimates that DOD submits to the BRAC Commission for review. For these reasons, we continue to believe that this recommendation is valid.

DOD did not concur with our second recommendation to modify the COBRA model to add a capability that would allow users to indicate that a potential liability may exist, even if the amount of the liability cannot be estimated at the time of data entry. For example, we suggested that a data field could be added that provides the user with a "Yes / No" option to indicate the possibility of such a cost. In addition, COBRA instructions could be modified to instruct the user to provide information on the likely costs in a note field. In its response to this recommendation, DOD stated that noting a potential liability does not add value in the decision making process in which recommendations are developed on the basis of the selection criteria with military value having primary consideration. DOD stated that accounting for these costs later, during the actual closure or implementation phase would be a better approach because the data would at that point be more accurate. In any future BRAC round, we believe that DOD should continue to include such costs in COBRA estimates, when possible. In cases where the amount of the liability cannot be estimated when data is being entered into the COBRA model, we continue to believe that modifying the model with a capability to note the existence of a potential liability would provide decision makers with valuable information that they may want to consider in their deliberations. While we agree with DOD that better and more accurate information would aid the implementation phase of BRAC, the intent of our recommendation is to improve the information provided to decision makers while they are comparing competing scenarios and making closure and realignment decisions. Because of this, we continue to believe our recommendation has merit.

DOD did not concur with our third recommendation to modify COBRA instructions for entering information into the model on costs associated with alternatively financed projects to help ensure costs are consistently captured and complete. For example, we suggested that DOD illustrate the types of costs that should be included; specify whether costs should

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be entered as net costs or if costs and savings should be entered separately; indicate the appropriate data field to enter such costs; and define key terms. DOD did not provide specific reasons for its non-concurrence with the recommendation, instead referring to its response to our first two recommendations. Our prior work on best practices for government operations found that<sup>67</sup> ensuring that collected data are consistent and comprehensive is important for supporting decision-making. Further, there has been a substantial increase (more than 125 percent) in the number of alternatively financed projects on DOD installations since the last round of BRAC was conducted. We continue to believe that modification of COBRA instructions could help DOD ensure that scenario costs are captured in a consistent and complete manner, aiding the department in meeting its requirement to treat all bases equally, and aiding the Commission in its decision making process.

After considering the points raised by DOD in its comments, we continue to believe that our recommendations have merit because they would improve the information available to decision makers in the BRAC process. As we have stated in prior GAO reports, DOD's process for conducting its BRAC 2005 analysis was generally logical and reasoned. We continue to believe that the process remains fundamentally sound based on this review, although our analysis identified opportunities to improve the process for future rounds. By ensuring that all implementation costs are consistently collected and considered to the extent known during the comparison of BRAC scenarios, both DOD and the Commission will have greater assurance that scenarios involving bases with and without alternatively financed projects are compared on a consistent basis. Including these costs would potentially result in a more accurate initial cost estimates that DOD submits to the BRAC Commission for review.

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We are sending copies of this report to appropriate congressional committees; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Deputy Under Secretary of Defense for Installations and Environment; and the Director of the Defense Logistics Agency. In

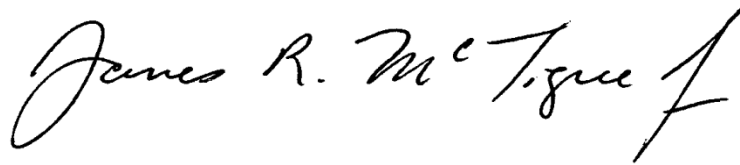
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<sup>67</sup>[GAO/GGD-96-118](#).

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addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7968 or [mctiguej@gao.gov](mailto:mctiguej@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV

A handwritten signature in black ink that reads "James R. McTigue, Jr." with a stylized flourish at the end.

James R. McTigue, Jr.  
Director  
Defense Capabilities & Management

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### *List of Committees*

The Honorable Carl Levin  
Chairman  
The Honorable James Inhofe  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Tim Johnson  
Chairman  
The Honorable Mark Kirk  
Ranking Member  
Subcommittee on Military Construction, Veterans' Affairs,  
and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Howard P. McKeon  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Honorable John Culberson  
Chairman  
The Honorable Sanford Bishop  
Ranking Member  
Subcommittee on Military Construction, Veterans' Affairs,  
and Related Agencies  
Committee on Appropriations  
House of Representatives

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# Appendix I: Scope and Methodology

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Based on our prior work on alternatively financed projects and congressional interest as expressed in House Report 112-479,<sup>1</sup> we included five project types in the scope of our review: renewable energy,<sup>2</sup> privatized utilities,<sup>3</sup> privatized family housing,<sup>4</sup> Army lodging, and leases for underused land. To describe the alternatively financed projects that existed on DOD's U.S. installations, as of September 30, 2011, we collected information from the military departments on the five types of alternatively financed projects within the scope of our review. We included projects if (1) they were funded—at least in part—by means other than up-front appropriations; (2) the project's legal agreement was signed as of September 30, 2011; (3) the installation that hosted the project was open as of that date; and (4) the installation was located in the United States. In addition, we assessed the completeness and accuracy of these project data. To do so, we reviewed data submitted by the military departments and Defense Logistics Agency to determine if there were inconsistencies

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<sup>1</sup>House Report 112-479, accompanying a bill for the fiscal year 2013 National Defense Authorization Act (H.R. 4310).

<sup>2</sup>As previously reported, DOD has certain renewable energy projects that are funded through up-front appropriations and others that are alternatively financed. In this report we are focusing on the alternatively financed renewable energy projects reported by DOD. As previously noted, for the purposes of this report, we are defining renewable energy as energy derived from any of the following fuel sources: biomass; geothermal; hydropower; solar; wind; ocean energy, including wave, tidal, current, and ocean thermal energy; and other sources, such as landfill gas and municipal solid waste. This energy can be applied in any form, including electricity, heating, or small-scale applications such as streetlights or trash compactors. Ground source heat pumps are included in our definition of renewable energy projects. For our previously published work on DOD renewable energy, see—for example—GAO, *Renewable Energy Project Financing: Improved Guidance and Information Sharing Needed for DOD Project-Level Officials*, [GAO-12-401](#) (Washington, D.C.: Apr. 4, 2012).

<sup>3</sup>In response to our request for information on alternatively financed projects, the military departments provided information on four types of privatized utility projects: the generation and supply of electric power; the treatment or supply of potable water; the collection or treatment of wastewater; and the supply of natural gas.

<sup>4</sup>The military departments have several efforts under which military housing has been privatized, including unaccompanied housing, family housing privatized under section 801 of the Military Construction Authorization Act, 1984, Pub. L. No. 98-115 (1983) (commonly referred to as the Section 801 housing program), and the Military Housing Privatization Initiative. In this report, we are focusing on Military Housing Privatization Initiative projects. There are relatively few unaccompanied service members living in privatized housing projects and many of the leases governing section 801 housing projects have ended or will end relatively soon. In contrast, DOD reports 166 Military Housing Privatization Initiative projects with leases that are typically 50 years in length.

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or certain data elements that were not provided for individual projects. In such cases, we discussed these data with knowledgeable agency officials, resolving the inconsistencies and gathering the missing data elements. In addition, we assessed the reliability of all computer-generated data provided by the military departments and Defense Logistics Agency by reviewing existing information about the data and the systems that produced the data and by interviewing agency officials knowledgeable about the data to determine the steps taken to ensure its completeness and accuracy. We determined that these data were sufficiently reliable for the purposes of presenting the number and certain characteristics of these projects, as reported by the military departments and Defense Logistics Agency. We are confident that, based on information from the military departments and Defense Logistics Agency, we have collected information on the complete universe of alternatively financed projects as of September 30, 2011. However, we did not validate the existence of each individual project. As discussed above, the military departments provided data on projects that were active as of September 30, 2011. The military departments provided these project data to us in November and December 2012.

To describe examples of ways that associated legal agreements protect the government's financial interests, as well as circumstances under which DOD could face financial liabilities and other costs in the event of base closure, we chose 29 case studies for more in-depth review. To do so, we reviewed the project information provided by the military departments and Defense Logistics Agency, and selected project case studies based on several variables, including the military department that runs the installation on which the project was located; installations with multiple types of alternatively financed projects; the project type, ensuring that we included all five project types in our scope; and certain other project characteristics. For example, our case studies included privatized military housing projects with and without limited loan guarantees, and utilities privatized as "stand alone" privatizations and those privatized under a housing privatization authority. For these case studies, we visited installations, interviewed DOD officials, and collected and reviewed project documentation.<sup>5</sup> We also reviewed relevant statutory authorities,

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<sup>5</sup>For certain case studies, we met with officials from installations that hosted case study projects. For other case studies, we met with officials at the regional or headquarters level of a military department. This is because certain types of projects are typically managed at the installation level, while other types are typically managed at the regional or headquarters level.

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sections of the Federal Acquisition Regulation, and military department policy governing alternatively financed projects. In addition to the officials with whom we met in the course of conducting our case studies, we met with officials from the military departments, the Defense Logistics Agency, and two directorates of the Office of the Deputy Under Secretary of Defense for Installations and Environment: Facilities Energy and Basing.

To determine the extent to which DOD's process for estimating the costs and savings of base closure candidates captures liabilities and other costs associated with alternatively financed project agreements—in the event of base closure—we identified the requirements for capturing the data by reviewing the BRAC 2005 implementation policy and the BRAC statute. We then identified installations that had alternatively financed projects and were closed during BRAC 2005, and determined to what extent DOD's process for estimating the costs and savings of base closure candidates during BRAC 2005 captured potential liabilities and other costs associated with these projects. In each round of BRAC, DOD has estimated the costs and savings associated with various proposed BRAC recommendations by using a model known as the Cost of Base Realignment Actions (COBRA). To determine the extent to which this model captured potential project costs, we compared costs recorded in the COBRA model for the closed installations with alternatively financed projects to the military departments' reported closure costs. To gather information on the closure costs and reasons why the costs may or may not have been captured, we interviewed DOD officials who were involved in—or had knowledge of—the BRAC 2005 process and individuals involved with closure of the bases in question; reviewed the installations' BRAC implementation budgets; and reviewed additional related documentation, such as alternatively financed project legal agreements. Furthermore, to determine whether DOD's process for collecting data on potential base closure costs was comprehensive and consistent, we reviewed the questions used to gather information for the COBRA model; the COBRA model instructions for completing the portion of the model into which costs associated with alternatively financed projects are to be entered; and the data input fields in this part of the model. We then compared the instructions and data input fields to BRAC 2005 policy



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guidance for determining costs and savings of BRAC actions best practices for collecting data in support of government operations.<sup>6</sup>

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<sup>6</sup>For the BRAC policy guidance, see Department of Defense, Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Three – Selection Criterion 5 (December 7, 2004). For the best practices for collecting data in support of government operations, see GAO, Executive Guide: Effectively Implementing the Government Performance and Results Act, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

# Appendix II: Alternatively Financed Projects on DOD's U.S. Installations by Project Type as of September 30, 2011, as Reported by DOD

According to our analysis of project data reported by DOD, renewable energy projects accounted for 11 percent (60 projects) of the 555 alternatively financed projects. Privatized utilities constituted 53 percent (292 projects) of all projects. Privatized housing accounted for 30 percent (166 projects). Privatized Army lodging projects represented about 4 percent (21 projects) of DOD's reported alternatively financed projects, and 10 percent of the Army's 209 alternatively financed projects. Finally, enhanced use lease projects accounted for 3 percent (16 projects) of all projects. In this appendix, information on alternatively financed projects reported by DOD is organized by project type—and within project type—by military department.

## Renewable Energy Projects

**Table 2: Army Renewable Energy Projects**

Military Dept.	Installation	State	Project Type	General Information, if available
Army	Aberdeen Proving Ground	MD	Renewable Energy	Ground source heat pumps; Energy Savings Performance Contract (ESPC)
Army	Carlisle Barracks	PA	Renewable Energy	Geothermal; ESPC
Army	Fort AP Hill	VA	Renewable Energy	Ground source heat pumps; ESPC
Army	Fort Belvoir	VA	Renewable Energy	Ground source heat pumps; ESPC
Army	Fort Benning	GA	Renewable Energy	Solar thermal hot water; ESPC
Army	Fort Bliss	TX	Renewable Energy	Solar thermal hot water or solar power project; ESPC
Army	Fort Bliss	TX	Renewable Energy	Solar thermal hot water or solar power project; ESPC
Army	Fort Bliss	TX	Renewable Energy	Solar thermal hot water or solar power project; ESPC
Army	Fort Campbell	KY	Renewable Energy	Geothermal; Utility Energy Service Contract (UESC)
Army	Fort Carson	CO	Renewable Energy	Solar Photo Voltaic (PV); Power Purchase Agreement (PPA)
Army	Fort Drum	NY	Renewable Energy	Ground source heat pumps; ESPC
Army	Fort Hood	TX	Renewable Energy	Solar thermal hot water; ESPC
Army	Fort Huachuca	AZ	Renewable Energy	Solar PV; ESPC
Army	Fort Huachuca	AZ	Renewable Energy	Solar thermal hot water; ESPC
Army	Fort Huachuca	AZ	Renewable Energy	Wind; ESPC
Army	Fort Knox	KY	Renewable Energy	Biomass plant; UESC

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Fort Knox	KY	Renewable Energy	UESC
Army	Fort Knox	KY	Renewable Energy	UESC
Army	Fort Knox	KY	Renewable Energy	UESC
Army	Fort Knox	KY	Renewable Energy	UESC
Army	Fort Knox	KY	Renewable Energy	UESC
Army	Fort Meade	MD	Renewable Energy	Ground source heat pumps; ESPC
Army	Pine Bluff Arsenal	AR	Renewable Energy	Ground source heat pumps; ESPC
Army	Rock Island Arsenal	IL	Renewable Energy	Ground source heat pumps and hydro electric generation; ESPC
Army	Sierra Army Depot	CA	Renewable Energy	Ground source heat pumps; ESPC
Army	Tobyhanna Army Depot	PA	Renewable Energy	Solar PV; ESPC
Army	West Point	NY	Renewable Energy	No further information available.
Army	Yuma Proving Grounds	AZ	Renewable Energy	Solar PV; UESC

Source: GAO Analysis of DOD data.

**Table 3: Navy Renewable Energy Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Joint Base Pearl Harbor-Hickam	HI	Renewable Energy	On NS Pearl Harbor, solar thermal
Navy	Marine Corps Air Ground Combat Center Twentynine Palms	CA	Renewable Energy	Solar PV; ESPC
Navy	Marine Corps Air Station Miramar	CA	Renewable Energy	Biomass Plant; PPA
Navy	Marine Corps Air Station Beaufort	SC	Renewable Energy	Two Solar thermal; ESPC
Navy	Marine Corps Air Station Beaufort	SC	Renewable Energy	Geothermal; ESPC
Navy	Marine Corps Base Camp Pendleton	CA	Renewable Energy	Seven Solar PV; UESC
Navy	Marine Corps Logistics Base (MCLoB) Albany	GA	Renewable Energy	Cogeneration ESPC using Biogas PPA
Navy	MCLoB Albany	GA	Renewable Energy	Geothermal; ESPC
Navy	MCLoB Albany	GA	Renewable Energy	Biogas; PPA
Navy	Marine Corps Support Facility (MCSF) Blount Island	FL	Renewable Energy	Geothermal; UESC
Navy	MCSF Blount Island	FL	Renewable Energy	Solar PV; UESC
Navy	NAS Jacksonville, FL	FL	Renewable Energy	Solar PV; UESC
Navy	NAS JRB Ft Worth, TX	TX	Renewable Energy	Solar PV; ESPC
Navy	NAS Oceana, VA	VA	Renewable Energy	Geothermal; ESPC

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	NAS Oceana, VA	VA	Renewable Energy	Geothermal; ESPC
Navy	NAS Oceana, VA	VA	Renewable Energy	Geothermal; ESPC
Navy	Naval Air Weapons Station China Lake	CA	Renewable Energy	Geothermal electricity; PPA
Navy	Naval Base Coronado	CA	Renewable Energy	Solar PV; ESPC
Navy	Naval Base Kitsap	WA	Renewable Energy	Geothermal (at NUWC Keyport, WA); ESPC

Source: GAO Analysis of DOD data.

**Table 4: Air Force Renewable Energy Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	AF Academy	CO	Renewable Energy	Solar PV; PPA
Air Force	Eglin Air Force Base (AFB)	FL	Renewable Energy	Geothermal; UESC
Air Force	Hill AFB	UT	Renewable Energy	Biomass; ESPC
Air Force	Hill AFB	UT	Renewable Energy	Solar PV; ESPC
Air Force	Hurlburt Field	FL	Renewable Energy	Geothermal; UESC
Air Force	Joint Base Charleston	SC	Renewable Energy	Geothermal; ESPC
Air Force	Joint Base McGuire-Dix Lakehurst	NJ	Renewable Energy	Solar PV; ESPC
Air Force	Joint Base McGuire-Dix Lakehurst	NJ	Renewable Energy	Solar PV; ESPC
Air Force	Joint Base McGuire-Dix Lakehurst	NJ	Renewable Energy	Solar PV; ESPC
Air Force	Luke AFB	AZ	Renewable Energy	Solar PV; ESPC
Air Force	Nellis AFB	NV	Renewable Energy	Solar PV; PPA
Air Force	Tyndall AFB	FL	Renewable Energy	Geothermal; UESC
Air Force	Whiteman AFB	MO	Renewable Energy	Geothermal; ESPC

Source: GAO Analysis of DOD data.

## Privatized Utility Projects

**Table 5: Army Privatized Utility Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Aberdeen Proving Ground	MD	Utilities Privatization	Electricity
Army	Aberdeen Proving Ground	MD	Utilities Privatization	Natural gas
Army	Aberdeen Proving Ground	MD	Utilities Privatization	Potable and waste water
Army	Adelphi Laboratory Center	MD	Utilities Privatization	Natural gas

**Appendix II: Alternately Financed Projects on  
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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Blue Grass Army Depot	KY	Utilities Privatization	Natural gas
Army	Camp Parks	CA	Utilities Privatization	Electricity
Army	Camp Parks	CA	Utilities Privatization	Natural gas
Army	Camp Parks	CA	Utilities Privatization	Potable water
Army	Camp Parks	CA	Utilities Privatization	Waste water
Army	Detroit Arsenal	MI	Utilities Privatization	Natural gas
Army	Fort AP Hill	VA	Utilities Privatization	Electricity
Army	Fort AP Hill	VA	Utilities Privatization	Potable water
Army	Fort AP Hill	VA	Utilities Privatization	Waste water
Army	Fort Belvoir	VA	Utilities Privatization	Electricity
Army	Fort Belvoir	VA	Utilities Privatization	Natural gas
Army	Fort Belvoir	VA	Utilities Privatization	Potable water
Army	Fort Belvoir	VA	Utilities Privatization	Waste water
Army	Fort Benning	GA	Utilities Privatization	Electricity
Army	Fort Benning	GA	Utilities Privatization	Natural gas
Army	Fort Benning	GA	Utilities Privatization	Potable water
Army	Fort Benning	GA	Utilities Privatization	Waste water
Army	Fort Bliss	TX	Utilities Privatization	Electricity
Army	Fort Bliss	TX	Utilities Privatization	Natural gas
Army	Fort Bliss	TX	Utilities Privatization	Potable water
Army	Fort Bliss	TX	Utilities Privatization	Waste water
Army	Fort Bragg	NC	Utilities Privatization	Electricity
Army	Fort Bragg	NC	Utilities Privatization	Potable water
Army	Fort Bragg	NC	Utilities Privatization	Waste water
Army	Fort Bragg	NC	Utilities Privatization	Natural gas on former Pope AFB
Army	Fort Campbell	KY	Utilities Privatization	Natural gas
Army	Fort Campbell	KY	Utilities Privatization	Potable water
Army	Fort Campbell	KY	Utilities Privatization	Waste water
Army	Fort Detrick	MD	Utilities Privatization	Natural gas
Army	Fort Gordon	GA	Utilities Privatization	Electricity
Army	Fort Gordon	GA	Utilities Privatization	Natural gas
Army	Fort Gordon	GA	Utilities Privatization	Potable water
Army	Fort Gordon	GA	Utilities Privatization	Waste water
Army	Fort Greeley	AK	Utilities Privatization	Chilled water and steam
Army	Fort Greeley	AK	Utilities Privatization	Electricity
Army	Fort Greeley	AK	Utilities Privatization	Natural gas
Army	Fort Greeley	AK	Utilities Privatization	Potable water

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Fort Greeley	AK	Utilities Privatization	Waste water
Army	Fort Hood	TX	Utilities Privatization	Potable water
Army	Fort Hood	TX	Utilities Privatization	Waste water
Army	Fort Huachuca	AZ	Utilities Privatization	Electricity
Army	Fort Irwin	CA	Utilities Privatization	Electricity
Army	Fort Irwin	CA	Utilities Privatization	Waste water
Army	Fort Jackson	SC	Utilities Privatization	Potable water
Army	Fort Jackson	SC	Utilities Privatization	Waste water
Army	Fort Knox	KY	Utilities Privatization	Electricity
Army	Fort Knox	KY	Utilities Privatization	Potable water
Army	Fort Knox	KY	Utilities Privatization	Waste water
Army	Fort Leavenworth	KS	Utilities Privatization	Electricity
Army	Fort Leavenworth	KS	Utilities Privatization	Potable water
Army	Fort Leavenworth	KS	Utilities Privatization	Waste water
Army	Fort Lee	VA	Utilities Privatization	Electricity
Army	Fort Lee	VA	Utilities Privatization	Potable water
Army	Fort Lee	VA	Utilities Privatization	Waste water
Army	Fort Leonard Wood	MO	Utilities Privatization	Electricity
Army	Fort Leonard Wood	MO	Utilities Privatization	Natural gas
Army	Fort McCoy	WI	Utilities Privatization	Electricity
Army	Fort McCoy	WI	Utilities Privatization	Natural gas
Army	Fort McNair	DC	Utilities Privatization	Electricity
Army	Fort McNair	DC	Utilities Privatization	Natural gas
Army	Fort Meade	MD	Utilities Privatization	Electricity
Army	Fort Meade	MD	Utilities Privatization	Natural gas
Army	Fort Meade	MD	Utilities Privatization	Potable water
Army	Fort Meade	MD	Utilities Privatization	Waste water
Army	Fort Myer	VA	Utilities Privatization	Electricity
Army	Fort Myer	VA	Utilities Privatization	Natural gas
Army	Fort Pickett (National Guard Base)	VA	Utilities Privatization	Electricity
Army	Fort Pickett (National Guard Base)	VA	Utilities Privatization	Potable water
Army	Fort Polk	LA	Utilities Privatization	Electricity
Army	Fort Polk	LA	Utilities Privatization	Potable water
Army	Fort Polk	LA	Utilities Privatization	Waste water
Army	Fort Rucker	AL	Utilities Privatization	Electricity
Army	Fort Rucker	AL	Utilities Privatization	Natural gas

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Fort Rucker	AL	Utilities Privatization	Potable water
Army	Fort Rucker	AL	Utilities Privatization	Waste water
Army	Fort Sill	OK	Utilities Privatization	Natural gas
Army	Fort Sill	OK	Utilities Privatization	Potable water
Army	Fort Sill	OK	Utilities Privatization	Waste water
Army	Fort Stewart and Hunter Army Airfield	GA	Utilities Privatization	Electricity for both Fort Stewart, GA & Hunter Army Airfield, GA
Army	Fort Wainwright	AK	Utilities Privatization	Chilled water and steam
Army	Fort Wainwright	AK	Utilities Privatization	Electricity
Army	Fort Wainwright	AK	Utilities Privatization	Natural gas
Army	Fort Wainwright	AK	Utilities Privatization	Potable water
Army	Fort Wainwright	AK	Utilities Privatization	Waste water
Army	Joint Base Lewis-McChord	WA	Utilities Privatization	Natural gas for both Ft Lewis & Yakima Training Center
Army	Military Ocean Terminal Sunny Point	NC	Utilities Privatization	Electricity
Army	Natick Research Development & Engineering Center	MA	Utilities Privatization	Electricity
Army	Natick Research Development & Engineering Center	MA	Utilities Privatization	Natural gas
Army	Oahu (includes Fort Shafter, Schofield Barracks, Wheeler Army Airfield)	HI	Utilities Privatization	Potable water
Army	Ord Military Community	CA	Utilities Privatization	Electricity
Army	Ord Military Community	CA	Utilities Privatization	Natural gas
Army	Ord Military Community	CA	Utilities Privatization	Potable water
Army	Ord Military Community	CA	Utilities Privatization	Waste water
Army	Picatinny Arsenal	NJ	Utilities Privatization	Electricity
Army	Picatinny Arsenal	NJ	Utilities Privatization	Natural gas
Army	Presidio of Monterey	CA	Utilities Privatization	Electricity
Army	Presidio of Monterey	CA	Utilities Privatization	Natural gas
Army	Presidio of Monterey	CA	Utilities Privatization	Potable water
Army	Presidio of Monterey	CA	Utilities Privatization	Waste water
Army	Red River Army Depot	TX	Utilities Privatization	Electricity
Army	Red River Army Depot	TX	Utilities Privatization	Potable water
Army	Red River Army Depot	TX	Utilities Privatization	Waste water
Army	Redstone Arsenal	AL	Utilities Privatization	Waste water
Army	Schofield Barracks	HI	Utilities Privatization	Waste water
Army	Sierra Army Depot	CA	Utilities Privatization	Electricity

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Sierra Army Depot	CA	Utilities Privatization	Natural gas
Army	Stewart Army Subpost	NY	Utilities Privatization	Natural gas
Army	Tooele Army Depot	UT	Utilities Privatization	Natural Gas
Army	Vancouver Barracks	OR	Utilities Privatization	Natural gas
Army	Walter Reed Medical Center	DC	Utilities Privatization	Natural gas

Source: GAO Analysis of DOD data.

**Table 6: Navy Privatized Utility Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Coleville Housing Complex	CA	Utilities Privatization	Potable water
Navy	Coleville Housing Complex	CA	Utilities Privatization	Waste water
Navy	Coleville Housing Complex	CA	Utilities Privatization	Natural gas - Propane Distribution System
Navy	Joint Expeditionary Base Little Creek-Ft Story	VA	Utilities Privatization	Electricity
Navy	Joint Expeditionary Base Little Creek-Ft Story	VA	Utilities Privatization	Waste water
Navy	Joint Expeditionary Base Little Creek-Ft Story	VA	Utilities Privatization	Potable water
Navy	Marine Corps Air Station (MCAS) Beaufort	SC	Utilities Privatization	Natural gas
Navy	MCAS Beaufort	SC	Utilities Privatization	Potable water
Navy	MCAS Beaufort	SC	Utilities Privatization	Waste water
Navy	Marine Corps Recruit Depot (MCRD) Parris Island, SC	SC	Utilities Privatization	Potable water
Navy	MCRD Parris Island, SC	SC	Utilities Privatization	Waste water
Navy	Naval Air Station (NAS) Corpus Christi	TX	Utilities Privatization	Electricity
Navy	NAS Key West	FL	Utilities Privatization	Potable water
Navy	NAS Kingsville	TX	Utilities Privatization	Electricity
Navy	NAS Meridian	MS	Utilities Privatization	Electricity
Navy	NAS Whiting Field	FL	Utilities Privatization	Electricity
Navy	NAS Whiting Field	FL	Utilities Privatization	Natural gas
Navy	NAS, Patuxent River	MD	Utilities Privatization	Electricity
Navy	Naval Base Kitsap	WA	Utilities Privatization	Kingston Housing potable water - privatized under privatized housing authority
Navy	Naval Base Kitsap	WA	Utilities Privatization	Kingston Housing waste water - privatized under privatized housing authority



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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Naval Base San Diego	CA	Utilities Privatization	Electricity – systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Base San Diego	CA	Utilities Privatization	Natural gas - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Base San Diego	CA	Utilities Privatization	Potable water - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Base San Diego	CA	Utilities Privatization	Waste water - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Construction Battalion Center Gulfport	MS	Utilities Privatization	Natural gas
Navy	Naval Shipyard Norfolk	VA	Utilities Privatization	Electricity - privatized through SE Public Service Authority of Virginia (SPSA).
Navy	Naval Submarine Base Kings Bay	GA	Utilities Privatization	Natural gas
Navy	Naval Submarine Base San Diego	CA	Utilities Privatization	Electricity - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Submarine Base San Diego	CA	Utilities Privatization	Natural gas - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Submarine Base San Diego	CA	Utilities Privatization	Potable water - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Submarine Base San Diego	CA	Utilities Privatization	Waste water - systems at selected neighborhoods privatized under privatized housing authority
Navy	Naval Support Activity Panama City	FL	Utilities Privatization	Natural gas

Source: GAO Analysis of DOD data.

**Table 7: Air Force Privatized Utility Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Air Force Academy	CO	Utilities Privatization	Natural gas
Air Force	Andrews Air Force Base (AFB)	MD	Utilities Privatization	Natural gas
Air Force	Andrews AFB	MD	Utilities Privatization	Potable water
Air Force	Andrews AFB	MD	Utilities Privatization	Waste water
Air Force	Arnold AFB	TN	Utilities Privatization	Natural gas
Air Force	Atlantic City (Air Guard Base at International Airport)	NJ	Utilities Privatization	Natural gas

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Atlantic City (Air Guard Base at International Airport)	NJ	Utilities Privatization	Potable water
Air Force	Atlantic City (Air Guard Base at International Airport)	NJ	Utilities Privatization	Waste water
Air Force	Atlantic City (Air Guard Base at International Airport)	NJ	Utilities Privatization	Electricity
Air Force	Birmingham (Air Guard Base at International Airport)	AL	Utilities Privatization	Electricity
Air Force	Birmingham (Air Guard Base at International Airport)	AL	Utilities Privatization	Natural gas
Air Force	Birmingham (Air Guard Base at International Airport)	AL	Utilities Privatization	Waste water
Air Force	Boise Air Terminal (Air Guard Station)	ID	Utilities Privatization	Electricity
Air Force	Boise Air Terminal (Air Guard Station)	ID	Utilities Privatization	Natural gas
Air Force	Boise Air Terminal (Air Guard Station)	ID	Utilities Privatization	Potable water
Air Force	Boise Air Terminal (Air Guard Station)	ID	Utilities Privatization	Waste water
Air Force	Bradley IAP Air National Guard Base	CT	Utilities Privatization	Electricity
Air Force	Bradley IAP Air National Guard Base	CT	Utilities Privatization	Natural gas
Air Force	Bradley IAP Air National Guard Base	CT	Utilities Privatization	Potable water
Air Force	Bradley IAP Air National Guard Base	CT	Utilities Privatization	Waste water
Air Force	Burlington (Air Guard Base at International Airport)	VT	Utilities Privatization	Natural gas
Air Force	Capital Airport Air Guard Station	IL	Utilities Privatization	Natural gas
Air Force	Charlotte/Douglas International Airport Air Guard Station	NC	Utilities Privatization	Natural gas
Air Force	Cheyenne Airport Air Guard Station	WY	Utilities Privatization	Electricity
Air Force	Cheyenne Airport Air Guard Station	WY	Utilities Privatization	Natural gas
Air Force	Cheyenne Mountain Air Force Station	CO	Utilities Privatization	Electricity
Air Force	Chicago O'Hare Air Reserve Station	IL	Utilities Privatization	Electricity
Air Force	Chicago O'Hare Air Reserve Station	IL	Utilities Privatization	Natural gas

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Chicago O'Hare Air Reserve Station	IL	Utilities Privatization	Potable water
Air Force	Chicago O'Hare Air Reserve Station	IL	Utilities Privatization	Waste water
Air Force	Dane County Regional Airport, Traux Field Air Guard Station	WI	Utilities Privatization	Electricity
Air Force	Dane County Regional Airport, Traux Field Air Guard Station	WI	Utilities Privatization	Natural gas
Air Force	Dane County Regional Airport, Traux Field Air Guard Station	WI	Utilities Privatization	Potable water
Air Force	Dobbins Air Reserve Base	GA	Utilities Privatization	Electricity
Air Force	Dover AFB	DE	Utilities Privatization	Waste water
Air Force	Duluth (Air Guard Base at International Airport)	MN	Utilities Privatization	Natural gas
Air Force	Eglin AFB	FL	Utilities Privatization	Natural gas
Air Force	F.E. Warren AFB	WY	Utilities Privatization	Electricity
Air Force	F.S. Gabreski Air National Guard Base	NY	Utilities Privatization	Waste water
Air Force	F.S. Gabreski Air National Guard Base	NY	Utilities Privatization	Natural gas
Air Force	Fairchild AFB	WA	Utilities Privatization	Natural gas
Air Force	Forbes Field Air Guard Station	KS	Utilities Privatization	Electricity
Air Force	Forbes Field Air Guard Station	KS	Utilities Privatization	Natural gas
Air Force	Fort Smith Airport Air Guard Station	AR	Utilities Privatization	Electricity
Air Force	Fort Smith Airport Air Guard Station	AR	Utilities Privatization	Natural gas
Air Force	Fort Wayne (Air Guard Base at International Airport)	IN	Utilities Privatization	Electricity
Air Force	Fort Wayne (Air Guard Base at International Airport)	IN	Utilities Privatization	Natural gas
Air Force	Fort Wayne (Air Guard Base at International Airport)	IN	Utilities Privatization	Potable water
Air Force	Goodfellow AFB	TX	Utilities Privatization	Electricity
Air Force	Grissom Air Reserve Base	IN	Utilities Privatization	Electricity
Air Force	Grissom Air Reserve Base	IN	Utilities Privatization	Potable water
Air Force	Grissom Air Reserve Base	IN	Utilities Privatization	Waste water
Air Force	Harrisburg (Air Guard Station at International Airport)	PA	Utilities Privatization	Natural gas
Air Force	Hector IAP (Air Guard Station at International Airport)	ND	Utilities Privatization	Natural gas
Air Force	Homestead Air Reserve Base	FL	Utilities Privatization	Electricity

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Homestead Air Reserve Base	FL	Utilities Privatization	Potable water
Air Force	Homestead Air Reserve Base	FL	Utilities Privatization	Waste water
Air Force	Hurlburt Field	FL	Utilities Privatization	Natural gas
Air Force	Jackson (Air Guard Station at International Airport)	MS	Utilities Privatization	Potable water
Air Force	Jackson (Air Guard Station at International Airport)	MS	Utilities Privatization	Waste water
Air Force	Jacksonville (Air Guard Station at International Airport)	FL	Utilities Privatization	Natural gas
Air Force	Joe Foss Field (Air National Guard)	SD	Utilities Privatization	Natural gas
Air Force	Joint Base Charleston	SC	Utilities Privatization	Natural gas on former Charleston AFB
Air Force	Joint Base Elmendorf Richardson	AK	Utilities Privatization	Electricity on former Ft Richardson
Air Force	Joint Base Elmendorf Richardson	AK	Utilities Privatization	Natural gas on former Elmendorf AFB
Air Force	Joint Base Elmendorf Richardson	AK	Utilities Privatization	Natural gas on former Ft Richardson
Air Force	Joint Base Elmendorf Richardson	AK	Utilities Privatization	Potable water on former Ft Richardson
Air Force	Joint Base Elmendorf Richardson	AK	Utilities Privatization	Waste water on former Ft Richardson
Air Force	Joint Base Langley-Eustis	VA	Utilities Privatization	Electricity on former Ft Eustis
Air Force	Joint Base Langley-Eustis	VA	Utilities Privatization	Natural gas on former Ft Eustis
Air Force	Joint Base Langley-Eustis	VA	Utilities Privatization	Natural gas on former Langley AFB
Air Force	Joint Base Langley-Eustis	VA	Utilities Privatization	Potable water- on former Ft Eustis
Air Force	Joint Base Langley-Eustis	VA	Utilities Privatization	Waste water- on former Ft Eustis
Air Force	Joint Base McGuire-Dix Lakehurst	NJ	Utilities Privatization	Electricity on former Ft Dix
Air Force	Joint Base McGuire-Dix Lakehurst	NJ	Utilities Privatization	Natural gas on former Ft Dix
Air Force	Joint Base San Antonio	TX	Utilities Privatization	Electricity on former Ft Sam Houston
Air Force	Joint Base San Antonio	TX	Utilities Privatization	Electricity on Randolph Auxiliary Airfield, Seguin, TX
Air Force	Joint Base San Antonio	TX	Utilities Privatization	Natural gas on former Ft Sam Houston
Air Force	Joint Base San Antonio	TX	Utilities Privatization	Waste water on former Randolph AFB
Air Force	Key Field Air Guard Station, Meridian Regional Airport	MS	Utilities Privatization	Natural gas
Air Force	Key Field Air Guard Station, Meridian Regional Airport	MS	Utilities Privatization	Potable water
Air Force	Key Field Air Guard Station, Meridian Regional Airport	MS	Utilities Privatization	Waste water
Air Force	Kingsley Field Air Guard Station, Klamath Falls	OR	Utilities Privatization	Electricity
Air Force	Kingsley Field Air Guard Station, Klamath Falls	OR	Utilities Privatization	Natural gas

**Appendix II: Alternately Financed Projects on  
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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Lambert St. Louis (Air Guard Station at International Airport)	MO	Utilities Privatization	Electricity
Air Force	Lambert St. Louis (Air Guard Station at International Airport)	MO	Utilities Privatization	Natural gas
Air Force	Lambert St. Louis (Air Guard Station at International Airport)	MO	Utilities Privatization	Potable water
Air Force	Lambert St. Louis (Air Guard Station at International Airport)	MO	Utilities Privatization	Waste water
Air Force	Laughlin AFB	TX	Utilities Privatization	Electricity
Air Force	Lincoln (Municipal Airport with Air Guard Station)	NE	Utilities Privatization	Electricity
Air Force	Lincoln (Municipal Airport with Air Guard Station)	NE	Utilities Privatization	Natural gas
Air Force	Lincoln (Municipal Airport with Air Guard Station)	NE	Utilities Privatization	Potable water
Air Force	Lincoln (Municipal Airport with Air Guard Station)	NE	Utilities Privatization	Waste water
Air Force	Little Rock AFB	AR	Utilities Privatization	Electricity
Air Force	Luis Munoz Marin (Air Guard Station at International Airport)	PR	Utilities Privatization	Electricity
Air Force	Luis Munoz Marin (Air Guard Station at International Airport)	PR	Utilities Privatization	Potable water
Air Force	Luis Munoz Marin (Air Guard Station at International Airport)	PR	Utilities Privatization	Waste water
Air Force	MacDill AFB	FL	Utilities Privatization	Potable water
Air Force	MacDill AFB	FL	Utilities Privatization	Waste water
Air Force	March Joint Air Reserve Base	CA	Utilities Privatization	Potable water
Air Force	March Joint Air Reserve Base	CA	Utilities Privatization	Electricity
Air Force	March Joint Air Reserve Base	CA	Utilities Privatization	Waste water
Air Force	Martin State Airport Air Guard Station	MD	Utilities Privatization	Electricity
Air Force	Martin State Airport Air Guard Station	MD	Utilities Privatization	Natural gas
Air Force	Maxwell AFB (Gunter Annex)	AL	Utilities Privatization	Electricity
Air Force	McGhee Tyson Air National Guard Station	TN	Utilities Privatization	Electricity
Air Force	Minneapolis/St. Paul (Air Guard Station at International Airport)	MN	Utilities Privatization	Natural gas
Air Force	Minot AFB	ND	Utilities Privatization	Natural gas
Air Force	Nashville, Metropolitan Airport Air Guard Station	TN	Utilities Privatization	Natural gas
Air Force	New Castle Air Guard Station	DE	Utilities Privatization	Natural gas

**Appendix II: Alternately Financed Projects on  
DOD's U.S. Installations by Project Type as of  
September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	New Castle Air Guard Station	DE	Utilities Privatization	Potable water
Air Force	Niagara Falls Air Reserve Station	NY	Utilities Privatization	Waste water
Air Force	Offutt AFB	NE	Utilities Privatization	Electricity
Air Force	Pease Air National Guard Base	NH	Utilities Privatization	Natural gas
Air Force	Quonset State Airport Air Guard Station	RI	Utilities Privatization	Natural gas
Air Force	Reno-Tahoe (Air Guard Station at International Airport)	NV	Utilities Privatization	Electricity
Air Force	Richmond (Air Guard Station at International Airport)	VA	Utilities Privatization	Electricity
Air Force	Richmond (Air Guard Station at International Airport)	VA	Utilities Privatization	Natural gas
Air Force	Richmond (Air Guard Station at International Airport)	VA	Utilities Privatization	Waste water
Air Force	Rickenbacker (Air Guard Station at International Airport)	OH	Utilities Privatization	Electricity
Air Force	Rickenbacker (Air Guard Station at International Airport)	OH	Utilities Privatization	Natural gas
Air Force	Rickenbacker (Air Guard Station at International Airport)	OH	Utilities Privatization	Potable water
Air Force	Rickenbacker (Air Guard Station at International Airport)	OH	Utilities Privatization	Waste water
Air Force	Salt Lake City (Air Guard Station w/Int. Airport)	UT	Utilities Privatization	Natural gas
Air Force	Savannah (Air Guard Station at International Airport)	GA	Utilities Privatization	Electricity
Air Force	Savannah (Air Guard Station at International Airport)	GA	Utilities Privatization	Natural gas
Air Force	Savannah (Air Guard Station at International Airport)	GA	Utilities Privatization	Potable water
Air Force	Schenectady County Airport Air Guard Station	NY	Utilities Privatization	Natural gas
Air Force	Scott AFB	IL	Utilities Privatization	Potable water
Air Force	Seymour Johnson AFB	NC	Utilities Privatization	Natural gas
Air Force	Sioux City Gateway Airport Air Guard Station	IA	Utilities Privatization	Natural gas
Air Force	Sioux City Gateway Airport Air Guard Station	IA	Utilities Privatization	Potable water
Air Force	Springfield-Beckley Airport Air Guard Station	OH	Utilities Privatization	Natural gas
Air Force	Tinker AFB	OK	Utilities Privatization	Electricity
Air Force	Tyndall AFB	FL	Utilities Privatization	Electricity

**Appendix II: Alternately Financed Projects on  
DOD's U.S. Installations by Project Type as of  
September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Tyndall AFB	FL	Utilities Privatization	Natural gas
Air Force	Tyndall AFB	FL	Utilities Privatization	Potable water
Air Force	W. K. Kellogg Airport Air National Guard Base	MI	Utilities Privatization	Natural gas
Air Force	Westover Air Reserve Base	MA	Utilities Privatization	Electricity
Air Force	Westover Air Reserve Base	MA	Utilities Privatization	Waste water
Air Force	Will Rogers World Airport Air Guard Station	OK	Utilities Privatization	Electricity
Air Force	Will Rogers World Airport Air Guard Station	OK	Utilities Privatization	Potable water
Air Force	Will Rogers World Airport Air Guard Station	OK	Utilities Privatization	Waste water
Air Force	Wright-Patterson AFB	OH	Utilities Privatization	Electricity
Air Force	Yeager Airport Air National Guard Station	WV	Utilities Privatization	Potable water
Air Force	Youngstown-Warren Regional Airport Air Reserve Station	OH	Utilities Privatization	Electricity

Source: GAO Analysis of DOD data.

## Privatized Housing Projects

**Table 8: Army Privatized Housing Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Aberdeen Proving Ground	MD	Privatized Housing	
Army	Camp Parks	CA	Privatized Housing	
Army	Carlisle Barracks	PA	Privatized Housing	
Army	Fort Belvoir	VA	Privatized Housing	
Army	Fort Benning	GA	Privatized Housing	
Army	Fort Bliss	TX	Privatized Housing	
Army	Fort Bragg	NC	Privatized Housing	Including former Pope Air Force Base
Army	Fort Campbell	KY	Privatized Housing	
Army	Fort Carson	CO	Privatized Housing	Loan guarantee
Army	Fort Detrick	MD	Privatized Housing	
Army	Fort Drum	NY	Privatized Housing	
Army	Fort Gordon	GA	Privatized Housing	
Army	Fort Greeley	AK	Privatized Housing	
Army	Fort Hamilton	NY	Privatized Housing	
Army	Fort Hood	TX	Privatized Housing	

**Appendix II: Alternatively Financed Projects on  
DOD's U.S. Installations by Project Type as of  
September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Fort Huachuca	AZ	Privatized Housing	
Army	Fort Irwin	CA	Privatized Housing	
Army	Fort Jackson	SC	Privatized Housing	
Army	Fort Knox	KY	Privatized Housing	
Army	Fort Leavenworth	KS	Privatized Housing	
Army	Fort Lee	VA	Privatized Housing	
Army	Fort Leonard Wood	MO	Privatized Housing	
Army	Fort Meade	MD	Privatized Housing	
Army	Fort Polk	LA	Privatized Housing	Loan guarantee
Army	Fort Riley	KS	Privatized Housing	
Army	Fort Rucker	AL	Privatized Housing	
Army	Fort Sill	OK	Privatized Housing	
Army	Fort Stewart and Hunter AAF	GA	Privatized Housing	
Army	Fort Wainwright	AK	Privatized Housing	Loan guarantee
Army	Joint Base Lewis-McChord	WA	Privatized Housing	
Army	Moffett Field	CA	Privatized Housing	
Army	Naval Post Graduate School	CA	Privatized Housing	
Army	Naval Support Activity Monterey	CA	Privatized Housing	
Army	Oahu (includes Fort Shafter, Schofield Barracks, Wheeler Army Airfield)	HI	Privatized Housing	
Army	Picatinny Arsenal	NJ	Privatized Housing	
Army	Presidio of Monterey	CA	Privatized Housing	
Army	Redstone Arsenal	AL	Privatized Housing	
Army	West Point	NY	Privatized Housing	
Army	White Sands Missile Range	NM	Privatized Housing	
Army	Yuma Proving Grounds	AZ	Privatized Housing	

Source: GAO Analysis of DOD data.

**Table 9: Navy Privatized Housing Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Coleville Housing Complex	CA	Privatized Housing	Camp Pendleton Phase II
Navy	Dam Neck Annex	VA	Privatized Housing	Part of Mid Atlantic Region Project
Navy	Joint Base Anacostia-Bolling	DC	Privatized Housing	Navy privatized housing does not include Bolling AFB
Navy	Joint Base Charleston (includes Naval Support Activity Charleston and Naval Hospital Charleston)	SC	Privatized Housing	Air Force is supporting component but Navy is responsible for former Navy housing



**Appendix II: Alternately Financed Projects on  
DOD's U.S. Installations by Project Type as of  
September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Joint Base McGuire-Dix-Lakehurst	NJ	Privatized Housing	Housing on former Naval Air Engineering Station Lakehurst
Navy	Joint Base Pearl Harbor-Hickam	HI	Privatized Housing	Naval Station Pearl Harbor housing and 15 sites on Oahu - does not include Air Force housing
Navy	Joint Expeditionary Base Little Creek-Fort Story	VA	Privatized Housing	Part of Joint Fort Eustis-Fort Story Multi-base housing project
Navy	Joint Expeditionary Base Little Creek-Fort Story	VA	Privatized Housing	Part of Navy Mid Atlantic Multi-base project does not include Ft Story Housing
Navy	Marine Corps Air Ground Combat Center Twentynine Palms	CA	Privatized Housing	Part of Camp Pendleton Phase II Multi-base project
Navy	Marine Corps Air Station Beaufort	SC	Privatized Housing	Part of Camp Lejeune-Cherry Point-Stewart Multi-base project
Navy	Marine Corps Air Station Cherry Pt.	NC	Privatized Housing	Part of Camp Lejeune-Cherry Point-Stewart Multi-base project
Navy	Marine Corps Air Station Miramar	CA	Privatized Housing	Part of NC San Diego Overview Multi-base project
Navy	Marine Corps Air Station New River	NC	Privatized Housing	Part of Camp Lejeune-Cherry Point-Stewart Multi-base project
Navy	Marine Corps Air Station Yuma	AZ	Privatized Housing	Part of Camp Pendleton Phase II Multi-base project
Navy	Marine Corps Base Camp Lejeune	NC	Privatized Housing	Part of Mid Atlantic Multi-base project
Navy	Marine Corps Base Camp Lejeune	NC	Privatized Housing	Part of Camp Lejeune-Cherry Point-Stewart Multi-base project
Navy	Marine Corps Base Camp Pendleton and MCAS Camp Pendleton	CA	Privatized Housing	Camp Pendleton Phase I
Navy	Marine Corps Base Camp Pendleton and MCAS Camp Pendleton	CA	Privatized Housing	Camp Pendleton Phase II; Different owner from Phase I
Navy	Marine Corps Base Hawaii	HI	Privatized Housing	Part of Navy/MC Hawaii Multi-base project
Navy	Marine Corps Base Quantico	VA	Privatized Housing	Part of Camp Pendleton Phase II Multi-base project
Navy	Marine Corps Logistics Base Albany	GA	Privatized Housing	Part of Camp Pendleton Phase II Multi-base project
Navy	Marine Corps Recruit Depot Parris Island	SC	Privatized Housing	Part of Camp Lejeune-Cherry Point-Stewart Multi-base project
Navy	Marine Corps Recruit Depot San Diego	CA	Privatized Housing	Part of Camp Pendleton Phase II Multi-base project
Navy	Marine Forces Reserve Kansas City	MO	Privatized Housing	Part of Camp Pendleton Phase II Multi-base project
Navy	Naval Air Facility El Centro	CA	Privatized Housing	Part of San Diego Multi-base housing Phase IV
Navy	Naval Air Station (NAS) Corpus Christi	TX	Privatized Housing	South Texas project – includes Windy Shores housing, Aransas Pass, TX near former Naval Station Ingelside

**Appendix II: Alternatively Financed Projects on  
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September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	NAS Fallon	NV	Privatized Housing	Part of San Diego Multi-base housing Phase IV
Navy	NAS Jacksonville	FL	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	NAS Joint Reserve Base (JRB) Fort Worth	TX	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	NAS JRB New Orleans	LA	Privatized Housing	
Navy	NAS Key West	FL	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	NAS Kingsville	TX	Privatized Housing	Kingsville I – includes Bridge Pointe housing, Portland, TX near NAS Corpus Christi and former Naval Station Ingleside
Navy	NAS Kingsville	TX	Privatized Housing	Kingsville II
Navy	NAS Lemoore	CA	Privatized Housing	Part of San Diego Multi-base housing Phase IV
Navy	NAS Meridian	MS	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	NAS Oceana	VA	Privatized Housing	Part of Mid Atlantic Multi-base project
Navy	NAS, Patuxent River	MD	Privatized Housing	Part of Mid Atlantic Multi-base project
Navy	NAS Pensacola, FL (includes Navy Technical Training Center Corry)	FL	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	NAS Whidbey Island	WA	Privatized Housing	Part of NC Northwest Region Multi-base project
Navy	NAS Whiting Field	FL	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	Naval Air Weapons Station China Lake	CA	Privatized Housing	Part of San Diego Multi-base housing Phase IV
Navy	Naval Base Kitsap	WA	Privatized Housing	Part of Naval Complex (NC) Northwest Region Multi-base project includes Bangor, Bremerton and Keyport
Navy	Naval Base Ventura County	CA	Privatized Housing	Part of San Diego Multi-base housing Phase IV
Navy	Naval Complex San Diego	CA	Privatized Housing	San Diego Metro Area: 59 of about 70 neighborhoods are not on a base.
Navy	Naval Construction Battalion Center Gulfport	MS	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	Naval Information Operations Command Sugar Grove	WV	Privatized Housing	Part of Mid Atlantic Multi-base project
Navy	Naval Shipyard Norfolk	VA	Privatized Housing	Part of Mid Atlantic Multi-base project
Navy	Naval Shipyard Portsmouth	ME	Privatized Housing	Part of NC Northeast Region Multi-base project
Navy	Naval Station (NS) Everett	WA	Privatized Housing	Part of NC Northwest Region Multi-base project

**Appendix II: Alternately Financed Projects on  
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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	NS Everett	WA	Privatized Housing	Everett II
Navy	NS Great Lakes	IL	Privatized Housing	Part of Midwest Region Multi-base project
Navy	NS Mayport	FL	Privatized Housing	Part of Southeast Region Multi-base housing group
Navy	NS Newport	RI	Privatized Housing	Part of NC Northeast Region Multi-base project
Navy	NS Norfolk	VA	Privatized Housing	Part of Mid Atlantic Multi-base project
Navy	Naval Submarine Base Kings Bay	GA	Privatized Housing	
Navy	Naval Submarine Base New London	CT	Privatized Housing	Part of NC Northeast Region Multi-base project
Navy	Naval Support Activity (NSA) Annapolis	MD	Privatized Housing	Includes the US Naval Academy
Navy	NSA Bethesda	MD	Privatized Housing	
Navy	NSA Center Crane	IN	Privatized Housing	Part of Midwest Region Multi-base project
Navy	NSA Hampton Roads	VA	Privatized Housing	
Navy	NSA Mechanicsburg	PA	Privatized Housing	Phase II
Navy	NSA Mid-South, South Millington	TN	Privatized Housing	
Navy	NSA Northwest Annex	VA	Privatized Housing	
Navy	NSA Panama City	FL	Privatized Housing	
Navy	NSA Washington	DC	Privatized Housing	
Navy	Naval Support Facility (NSF) Dahlgren	VA	Privatized Housing	
Navy	NSF Indian Head	MD	Privatized Housing	
Navy	NSF Thurmont	MD	Privatized Housing	
Navy	Naval Weapons Station Earle	NJ	Privatized Housing	Part of NC Northeast Region Multi-base project
Navy	Naval Weapons Station Seal Beach/Fallbrook	CA	Privatized Housing	
Navy	Naval Weapons Station Yorktown	VA	Privatized Housing	
Navy	Pacific Missile Range Facility Barking Sands, Kauai	HI	Privatized Housing	
Navy	Stewart Air Reserve Base	NY	Privatized Housing	Terrace Housing
Navy	Westover Air Reserve Base	MA	Privatized Housing	

Source: GAO Analysis of DOD data.

**Table 10: Air Force Privatized Housing Projects**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Air Force Academy	CO	Privatized Housing	
Air Force	Altus Air Force Base (AFB)	OK	Privatized Housing	
Air Force	Andrews AFB	MD	Privatized Housing	

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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Arnold AFB	TN	Privatized Housing	
Air Force	Barksdale AFB	LA	Privatized Housing	
Air Force	Buckley AFB	CO	Privatized Housing	
Air Force	Columbus AFB	MS	Privatized Housing	
Air Force	Davis-Monthan AFB	AZ	Privatized Housing	
Air Force	Dover AFB	DE	Privatized Housing	
Air Force	Dyess AFB	TX	Privatized Housing	
Air Force	Fairchild AFB	WA	Privatized Housing	
Air Force	Goodfellow AFB	TX	Privatized Housing	
Air Force	Hanscom AFB	MA	Privatized Housing	
Air Force	Hill AFB	UT	Privatized Housing	
Air Force	Holloman AFB	NM	Privatized Housing	
Air Force	Joint Base Anacostia-Bolling AFB	DC	Privatized Housing	On former Bolling AFB
Air Force	Joint Base Charleston	SC	Privatized Housing	On former Charleston AFB
Air Force	Joint Base Elmendorf Richardson	AK	Privatized Housing	Elmendorf Phase I - Loan Guarantee
Air Force	Joint Base Elmendorf Richardson	AK	Privatized Housing	Elmendorf Phase II
Air Force	Joint Base Langley-Eustis	VA	Privatized Housing	On former Langley AFB
Air Force	Joint Base Langley-Eustis	VA	Privatized Housing	Part of Ft Story-Ft Eustis Multi-base housing project
Air Force	Joint Base McGuire Dix Lakehurst	NJ	Privatized Housing	Excluding Navy housing on former Lakehurst
Air Force	Joint Base Pearl Harbor-Hickam	HI	Privatized Housing	Air Force housing on former Hickam AFB only
Air Force	Joint Base San Antonio	TX	Privatized Housing	On former Lackland AFB Phase I
Air Force	Joint Base San Antonio	TX	Privatized Housing	On former Lackland AFB Phase II
Air Force	Joint Base San Antonio	TX	Privatized Housing	On former Randolph AFB
Air Force	Joint Base San Antonio	TX	Privatized Housing	On former Ft Sam Houston
Air Force	Keesler AFB	MS	Privatized Housing	
Air Force	Kirtland AFB	NM	Privatized Housing	Loan guarantee
Air Force	Laughlin AFB	TX	Privatized Housing	
Air Force	Little Rock AFB	AR	Privatized Housing	
Air Force	Los Angeles AFB	CA	Privatized Housing	
Air Force	Luke AFB	AZ	Privatized Housing	
Air Force	MacDill AFB	FL	Privatized Housing	
Air Force	Maxwell AFB	AL	Privatized Housing	Gunter Annex
Air Force	Moody AFB	GA	Privatized Housing	
Air Force	Nellis AFB	NV	Privatized Housing	
Air Force	Offutt AFB	NE	Privatized Housing	

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September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Patrick AFB	FL	Privatized Housing	
Air Force	Peterson AFB	CO	Privatized Housing	
Air Force	Robins AFB	GA	Privatized Housing	Phase I - Loan guarantee
Air Force	Robins AFB	GA	Privatized Housing	Phase II
Air Force	Schriever AFB	CO	Privatized Housing	
Air Force	Scott AFB	IL	Privatized Housing	
Air Force	Shaw AFB	SC	Privatized Housing	
Air Force	Sheppard AFB	TX	Privatized Housing	
Air Force	Tinker AFB	OK	Privatized Housing	
Air Force	Travis AFB	CA	Privatized Housing	
Air Force	Tyndall AFB	FL	Privatized Housing	
Air Force	Vance AFB	OK	Privatized Housing	
Air Force	Vandenberg AFB	CA	Privatized Housing	
Air Force	Wright-Patterson AFB	OH	Privatized Housing	

Source: GAO Analysis of DOD information

## Enhanced Use Leases

**Table 11: Army Enhanced Use Leases**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Aberdeen Proving Ground	MD	Enhanced Use Lease (EUL)	50 year term; office park
Army	Fort Detrick	MD	EUL	36.5 year term; utility plant construction
Army	Fort Leonard Wood	MO	EUL	33 year term; business center development
Army	Picatinny Arsenal	NJ	EUL	50+ year term; renovation of office space and research park development
Army	Redstone Arsenal	AL	EUL	50 year term; office research and development site
Army	Yuma Proving Grounds	AZ	EUL	50 year term; vehicle Test Track Site

Source: GAO Analysis of DOD information

**Table 12: Navy Enhanced Use Leases**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Joint Base Pearl Harbor-Hickam	HI	Enhanced Use Lease (EUL)	At Moanalua - 40 year term; commercial center development site
Navy	Naval Air Station Key West	FL	EUL	5 year term; ship docking pier

**Appendix II: Alternatively Financed Projects on  
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<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Navy	Naval Base Point Loma	CA	EUL	5 year term; industrial space for assembly of rocket propulsion fuel tanks
Navy	Naval Base San Diego	CA	EUL	30 year term; industrial space to aid ship construction
Navy	Naval Base Ventura County	CA	EUL	5 year term; site to off-load cars

Source: GAO Analysis of DOD information

**Table 13: Air Force Enhanced Use Leases**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Air Force	Eglin Air Force Base (AFB)	FL	Enhanced Use Lease (EUL)	25 year term; airport terminal / rental car
Air Force	Eglin AFB	FL	EUL	30 year term; waste water treatment
Air Force	Hill AFB	UT	EUL	50 year term; office / commercial space
Air Force	Joint Base San Antonio	TX	EUL	50-55 year term; office space renovation and construction on former Fort Sam Houston
Air Force	Nellis AFB	NV	EUL	50 year term; waste water treatment

Source: GAO Analysis of DOD information

## Privatized Army Lodging

**Table 14: Privatized Army Lodging**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Fort Belvoir	VA	Privatized Army Lodging (PAL)	
Army	Fort Bliss	TX	PAL	
Army	Fort Buchanan	PR	PAL	
Army	Fort Campbell	KY	PAL	
Army	Fort Gordon	GA	PAL	
Army	Fort Hamilton	NY	PAL	
Army	Fort Hood	TX	PAL	
Army	Fort Huachuca	AZ	PAL	
Army	Fort Knox	KY	PAL	
Army	Fort Leavenworth	KS	PAL	
Army	Fort Leonard Wood	MO	PAL	
Army	Fort Myer	VA	PAL	
Army	Fort Polk	LA	PAL	
Army	Fort Riley	KS	PAL	
Army	Fort Rucker	AL	PAL	

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DOD's U.S. Installations by Project Type as of  
September 30, 2011, as Reported by DOD**

<b>Military Dept.</b>	<b>Installation</b>	<b>State</b>	<b>Project Type</b>	<b>General Information, if available</b>
Army	Fort Shafter and Tripler Army Medical Center	HI	PAL	
Army	Fort Sill	OK	PAL	
Army	Fort Wainwright	AK	PAL	
Army	Joint Base San Antonio	TX	PAL	on former Fort Sam Houston
Army	White Sands Missile Range	NM	PAL	
Army	Yuma Proving Grounds	AZ	PAL	

Source: GAO Analysis of DOD information

# Appendix III: Comments from the Department of Defense



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

APR 08 2013

Mr. James R. McTigue, Jr.  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. McTigue:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-13-337, "DEFENSE INFRASTRUCTURE: Improved Guidance Needed for Estimating Alternatively Financed Project Liabilities," dated March 1, 2013 (GAO Code 351740).

The Department appreciates GAO's assessment of estimating alternative financed project liabilities. However, we disagree with the recommendations contained in the report (see the enclosure for details). Because the statute requires DoD to develop Base Realignment and Closure recommendations on the basis of the selection criteria with military value having primary consideration and the liabilities will not be known until negotiations, we believe adding these liabilities in the cost estimating process is unnecessary. I believe the better place to capture these costs is during the implementation process.

We look forward to continuing to work with the GAO on this issue and hope our suggested change is considered for inclusion in the final report.

John Conger  
Acting Deputy Under Secretary of Defense  
(Installations and Environment)

Enclosure:  
As stated



**GAO DRAFT REPORT DATED MARCH 1, 2013  
GAO-13-337 (GAO CODE 351740)**

**“IMPROVED GUIDANCE NEEDED FOR ESTIMATING ALTERNATIVELY  
FINANCED PROJECT LIABILITIES”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommends that the Under Secretary of Defense direct the Deputy Under Secretary of Defense (Installations and Environment) (DUSD(I&E)) to “Modify the procedures for collecting data in its BRAC data call to include questions that are consistent and comprehensive; directed to all three military departments; and specific to the potential types of costs associated with alternatively financed projects.” (See page 32 of GAO Draft Report for complete recommendation.)

**DoD RESPONSE:** Non Concur. The Department does not believe that such costs should be collected as part of the BRAC data call, in that it would be impossible to determine those costs in advance. Those costs are similar to environmental remediation and program management costs, which also are not accounted for in the COBRA estimates. The reason environmental remediation and alternative financing costs are not included is that their inclusion could create a perverse incentive to retain bases with a lower military value. Moreover, the primary advantage of COBRA is to provide real time comparison of scenarios to aid analysis and decision maker review, not to develop budget quality estimates. This real time quality of COBRA is a critical component of both the Department’s requirement to treat all bases equally and in the Commission’s decision process.

**RECOMMENDATION 2:** The GAO recommends that the DUSD(I&E) “modify the COBRA model to add a capability that allows users to indicate that a potential liability may exist, even if the amount of the liability cannot be estimated at the time of data entry. For example, a data field could be added that provides the uses with a ‘Yes/No’ option to indicate the possibility of such a cost. In addition, COBRA instructions could be modified to instruct the user to provide information on the likely costs, in footnotes. This would increase the information available to decision makers and signal that there are potential costs in the event that a precise estimate cannot be calculated at that time.” (See page 32 of the GAO Draft Report)

**DoD RESPONSE:** Non-concur. In addition to the reasons stated above, noting a potential liability does not add value in the decision making process in which recommendations are developed on the basis of the selection criteria with military value having primary consideration. Accounting for these costs during BRAC implementation as part of the BRAC business plan and/or budget development process is a better approach because the data will be accurate.

2

**RECOMMENDATION 3:** The GAO recommends that the DUSD(I&E) “Further, modify COBRA instructions for entering information on costs associated with alternatively financed projects in the model to help ensure costs are consistently captured and complete. For example, illustrate the types of costs that should be included; specify whether costs should be entered as net costs or if costs and savings should be entered separately; indicate which data entry field is the appropriate field into which the use should enter such costs; and define key terms.”

**DoD RESPONSE:** Non Concur. See reasons above.

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

James R. McTigue, Jr., (202) 512-7968 or [mctiguej@gao.gov](mailto:mctiguej@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Laura Durland (Assistant Director); David Hubbell; Gregory Marchand; Richard Meeks; Charles Perdue; Carol Petersen; Steven Putansu; Christopher Ralphs; Chris Turner; Michael Willems; and Erik Wilkins McKee made key contributions to this report.

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# Related GAO Products

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*Military Bases: Opportunities Exist to Improve Future Base Realignment and Closure Rounds.* [GAO-13-149](#). Washington, D.C.: March 6, 2013.

*DOD Joint Bases: Management Improvements Needed to Achieve Greater Efficiencies.* [GAO-13-134](#). Washington, D.C.: November 15, 2012.

*Military Base Realignments and Closures: The National Geospatial-Intelligence Agency's Technology Center Construction Project.* [GAO-12-770R](#). Washington, D.C.: June 29, 2012.

*Military Base Realignments and Closures: Updated Costs and Savings Estimates from BRAC 2005.* [GAO-12-709R](#). Washington, D.C.: June 29, 2012.

*Military Base Realignments and Closures: Key Factors Contributing to BRAC 2005 Results.* [GAO-12-513T](#). Washington, D.C.: March 8, 2012.

*Excess Facilities: DOD Needs More Complete Information and a Strategy to Guide Its Future Disposal Efforts.* [GAO-11-814](#). Washington, D.C.: September 19, 2011.

*Military Base Realignments and Closures: Review of the Iowa and Milan Army Ammunition Plants.* [GAO-11-488R](#). Washington, D.C.: April 1, 2011.

*GAO's 2011 High-Risk Series: An Update.* [GAO-11-394T](#). Washington, D.C.: February 17, 2011.

*Defense Infrastructure: High-Level Federal Interagency Coordination Is Warranted to Address Transportation Needs beyond the Scope of the Defense Access Roads Program.* [GAO-11-165](#). Washington, D.C.: January 26, 2011.

*Military Base Realignments and Closures: DOD Is Taking Steps to Mitigate Challenges but Is Not Fully Reporting Some Additional Costs.* [GAO-10-725R](#). Washington, D.C.: July 21, 2010.

*Defense Infrastructure: Army Needs to Improve Its Facility Planning Systems to Better Support Installations Experiencing Significant Growth.* [GAO-10-602](#). Washington, D.C.: June 24, 2010.

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*Military Base Realignments and Closures: Estimated Costs Have Increased While Savings Estimates Have Decreased Since Fiscal Year 2009.* [GAO-10-98R](#). Washington, D.C.: November 13, 2009.

*Military Base Realignments and Closures: Transportation Impact of Personnel Increases Will Be Significant, but Long-Term Costs Are Uncertain and Direct Federal Support Is Limited.* [GAO-09-750](#). Washington, D.C.: September 9, 2009.

*Military Base Realignments and Closures: DOD Needs to Update Savings Estimates and Continue to Address Challenges in Consolidating Supply-Related Functions at Depot Maintenance Locations.* [GAO-09-703](#). Washington, D.C.: July 9, 2009.

*Defense Infrastructure: DOD Needs to Periodically Review Support Standards and Costs at Joint Bases and Better Inform Congress of Facility Sustainment Funding Uses.* [GAO-09-336](#). Washington, D.C.: March 30, 2009.

*Military Base Realignments and Closures: DOD Faces Challenges in Implementing Recommendations on Time and Is Not Consistently Updating Savings Estimates.* [GAO-09-217](#). Washington, D.C.: January 30, 2009.

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*Defense Infrastructure: High-Level Leadership Needed to Help Communities Address Challenges Caused by DOD-Related Growth.* [GAO-08-665](#). Washington, D.C.: June 17, 2008.

*Defense Infrastructure: DOD Funding for Infrastructure and Road Improvements Surrounding Growth Installations.* [GAO-08-602R](#). Washington, D.C.: April 1, 2008.

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*Defense Infrastructure: Realignment of Air Force Special Operations Command Units to Cannon Air Force Base, New Mexico.* [GAO-08-244R](#). Washington, D.C.: January 18, 2008.

*Military Base Realignments and Closures: Estimated Costs Have Increased and Estimated Savings Have Decreased.* [GAO-08-341T](#). Washington, D.C.: December 12, 2007.

*Military Base Realignments and Closures: Cost Estimates Have Increased and Are Likely to Continue to Evolve.* [GAO-08-159](#). Washington, D.C.: December 11, 2007.

*Military Base Realignments and Closures: Impact of Terminating, Relocating, or Outsourcing the Services of the Armed Forces Institute of Pathology.* [GAO-08-20](#). Washington, D.C.: November 9, 2007.

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